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FINANCIAL TIMES

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Guidelines yes, rules no
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Linking radio and computers
Technology, Page 15

Future king
The gospel of Leo Melamed
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The Big Tent
Black, gay and Republican
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World Business Newspaper http://www.FT.com THURSDAY AUGUST 15 1996

Japanese bank fined $1m by US authorities

A US subsidiary of the Long-Term Credit Bank of Japan was fined $1m by US authorities and ordered to improve its internal management. The New York State Banking Department issued the orders against LTCB Trust after the discovery of irregularities in the official reporting of the company's transactions. Page 11

Volvo changes US top posts: Swedish vehicles group Volvo said it was replacing the head and chief financial officer of its US truck subsidiary in response to plunging sales in North America. Page 11

Greek Cypriot killed in clash: A Greek Cypriot was killed and two United Nations peacekeepers were wounded when Turkish Cypriot soldiers fired on demonstrators in the buffer zone that has divided Cyprus since 1974. Page 2

India blocks test ban talks: India blocked forwarding a global nuclear test ban treaty to the full Conference on Disarmament, sabotaging 2½ years of negotiations. Page 4

Uneasy truce in Grozny: An uneasy stand-off prevailed in Grozny after the Russian army and Chechen resistance fighters agreed a temporary ceasefire. There were reports of sporadic gunfire throughout Chechnya as each side accused the other of violating the truce. Page 2

Hoechst forecasts profits rise: German chemical and pharmaceutical company Hoechst is expecting annual operating profits to increase by nearly a third following the start of a recovery from a steep downturn in domestic demand. Page 11; Lex, Page 10

Saudi order for Eurocopter: Saudi Arabia placed a $600m order with the Franco-German Eurocopter joint venture for 12 Cougar Mark-2 search and rescue helicopters. Page 4

Hungary and Romania near accord: Hungary and Romania cleared the way for the signing of a historic bilateral treaty aimed at normalising their relations, after years of wrangling over minority rights. Page 2

Sanyo executive kidnapped: The kidnap of a Japanese executive in Tijuana, Mexico, reawakened public concern over companies' security measures. The abductors are demanding $2m for the release of Mamoru Konno, president of a Californian subsidiary of Japan's Sanyo Electric. Page 10

US attack on sweatshops: The White House is to appoint a task force to help ensure that clothing and footwear sold in the US is manufactured under humane working conditions. Page 3

Argentine unions threaten strike: Argentine unions said they might call a general strike for the end of this month in protest at an austerity package announced by economy minister Roque Fernández. Page 3

China snubs Murdoch: China said claims by Rupert Murdoch that his Hong Kong-based Star TV network was about to secure access to the country's fast growing cable television market were premature. Page 5

Australia's central banker named: Ian Macfarlane was named next governor of Australia's Reserve Bank, the central monetary authority. The announcement ends months of speculation. Page 5

Tartarstan stock exchange planned: Two Malaysian companies signed agreements to establish a stock exchange in the Russian republic of Tartarstan. Page 4

Globe Telecom hit by fraud: Globe Telecom, the Philippines' third largest operator, said it had abandoned hopes of breaking even this year for the first time, in the wake of heavy losses from widespread fraud on its mobile phone network. Page 11

Thai coalition member quits: A central member of Thailand's ruling seven-party coalition pulled out of the government, casting doubts on the future of prime minister Banharn Silpa-archa. Page 10

Women's mile record broken: Russia's double Olympic champion Svetlana Masterkova broke the women's world mile record in her first race at the distance. She clocked 4mins 12.56secs at the Zurich grand prix meeting, three seconds faster than the previous best.

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■ STOCK MARKET INDICES	
New York lunchtime:	
Dow Jones Ind Av [illegible]	(-9.25)
NASDAQ Composite 1,131.12	(-4.97)
Europe and Far East	
CAC40 [illegible]	(-1.85)
DAX [illegible]	(-0.73)
FT-SE 100 [illegible]	(+6.9)
Nikkei [illegible]	(+118.16)

■ GOLD	
New York Comex (Dec) $391.7	($93.2)
London: close [illegible]	($87.30)

■ US LUNCHTIME RATES	
Federal Funds [illegible]	
3-mth Treas Bills: Yld [illegible]	
Long Bond [illegible]	
Yield [illegible]	

■ DOLLAR	
New York lunchtime	
£ 1.5[illegible]	
DM 1.[illegible]	
FFr [illegible]	
SFr 1.[illegible]	
Y 107.[illegible]	
London:	
£ [illegible]	(1.5511)
DM [illegible]	(1.4757)
FFr [illegible]	(5.059)
SFr [illegible]	(1.2001)
Y [illegible]	(107.82)

■ OTHER RATES [illegible]

■ STERLING [illegible] (2.2904)

■ NORTH SEA OIL (Argus) [illegible]

Munich Re moves on US market

Leading reinsurance group in $3.3bn takeover deal

By Andrew Fisher in Frankfurt

Munich Reinsurance, the world's largest reinsurance company, yesterday announced its biggest-ever takeover with a $3.3bn offer for American Re.

The move is aimed at strengthening its presence in the dominant US market. The company said terms had been agreed with Kohlberg Kravis Roberts, the New York buy-out specialist which owns 84 per cent of American Re, and with the latter's board. Munich Re's offer of $65 a share, which compares with Tuesday's closing price of $55⅞, also applies to the equity held by institutions and private shareholders.

American Re has around 10 per cent of the US reinsurance business, which accounts for nearly half the world market, and is the country's third-largest property and casualty reinsurer with gross premiums of some $1.8bn. Munich Re has between 8 per cent and 5 per cent of the US market.

Mr Hans-Jürgen Schinzler, Munich Re's chairman, said the deal was "a great step forward". The transaction will deliver a big profit to KKR and its investors. When KKR bought American Re for $1.4bn in 1992, the value of its equity investment in the company was $300m. A KKR representative said yesterday's deal put a value of $1bn on that stake, including dividends about to be paid.

Analysts were surprised at the deal as Munich Re had played down its interest in buying American Re. The German company has edged out Employers Re (owned by General Electric of the US) and Swiss Re by paying what Mr Tom Bennett, European insurance analyst at Banque Paribas Capital Markets, called "a full price" – about three times its net worth.

Munich Re said it saw attractive growth prospects in the US, where American Re, based in Princeton, New Jersey, has nearly 80 per cent of its business. The rest is spread through north, south and central America, Europe, Asia and the marine market. It said American Re had a record of above-average growth and high profitability.

However, American Re made a net loss of $88m last year after provisions for asbestos and pollution claims; without these, it would have earned a $231m profit. In 1994, it earned net income of $97.5m. In the first half of 1996, net income rose 38 per cent to $97.5m. Munich Re said the deal would raise its total premium income

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A premium on size, Page 9
Lex, Page 10

Juppé denies conflict with Bank of France

By Andrew Jack in Paris

The French government yesterday moved to deny any division between it and the Bank of France in the face of continued pressure on the franc, while stressing its ability to meet tougher budgetary targets.

Mr Alain Juppé, prime minister, interrupted his holiday to hold a press conference at which he dismissed recent fluctuations in the value of the franc as "a storm in a teacup" and said there was "no conflict" with the central bank.

He also argued that the French economy was strong, and stressed his belief, despite scepticism from the markets, that the government would be able to maintain its objective of a reduction in public spending by 1997 that would be sufficient to meet criteria for European monetary union.

Even before his comments were reported yesterday morning, pressure on the franc had eased slightly, and finished the day in London at FFr3.416 against the D-Mark, compared with FFr3.427 at the end of trading on Tuesday.

Officials said Mr Juppé had returned briefly to Paris on prime ministerial business, and decided to speak out in response to rumours circulating about the currency.

His comments came the day after Mr Jean Arthuis, economics and finance minister, gave an interview in the magazine Paris-Match in which he ruled out suggestions that Mr Jean-Claude Trichet, Bank of France governor, was among those likely to be pursued in new legal action targeted against former senior officials linked to the management of Crédit Lyonnais. There have been signs of renewed hostility towards Mr Trichet, appointed by the previous administration, since President Jacques Chirac gave an interview on French television on July 14.

Mr Chirac argued that interest rates remained too high, and suggested that the state had not exercised adequate control to prevent the heavy financial losses at the two banks Crédit Lyonnais and Crédit Foncier de France.

Both were interpreted as slights against Mr Trichet, whose institution determines interest rate policy and who was previously head of the French treasury at the time when the state sat on the boards of and helped supervise decisions made at the two banks.

Suggestions in the French press that Mr Trichet could be ensnared in the new legal action helped to depress the franc further at a time of relatively weak trading last week, which dropped by nearly two centimes over several days against the D-Mark.

Mr Juppé said yesterday that the Bank of France was independent and was playing its role to ensure the stability of the franc against other leading European currencies.

He also stressed his determination to take the "unprecedented" step of freezing public expenditure for 1997 in real terms, which along with tax cuts would ensure "healthy growth" and allow France to reduce its public deficit to 3 per cent of gross domestic product next year.

Caught in Euro vice, Page 2
Editorial Comment, Page 9
Lex, Page 10

US secretary of state Warren Christopher (right) summoned Slobodan Milosevic, Serbia's president, and his Bosnian and Croatian counterparts to Geneva yesterday in an effort to resolve violations of the Dayton peace accords. The Croatian and Bosnian heads pledged to shore up their alliance a month ahead of elections in Bosnia. Report, Page 10; Editorial Comment, Page 9 Picture: AP

Foreign bank to appeal after court orders reinstatement of 166 workers

HSBC to fight Indonesia labour ruling

By Manuela Saragosa in Jakarta

The Hongkong and Shanghai Banking Corporation is to appeal against an Indonesian labour court's ruling that it must reinstate 166 striking employees the bank dismissed three months ago.

The bank's determination to pursue the case is the first such action by a foreign bank and will set a benchmark in the settlement of labour disputes involving foreign companies in Indonesia.

"We cannot accept this [decision] and will appeal against it," said Mr David Bennet, deputy chief executive officer at the bank's Jakarta branch.

The dispute broke out this year after the bank and the branch union failed to agree on the renewal of a collective labour agreement, which covers conditions of employment, and about a third of the bank's staff went on strike.

The bank in effect sacked the striking employees after invoking a government decree which states that an employee who has been absent for more than five consecutive days without permission has resigned. The workers appealed to an arbitration body within the ministry of manpower. The body ordered the bank to reinstate the workers with back salaries, and it had until this week to comply.

Mr Bennet said the bank was "not surprised" by the arbitration body's ruling, adding that the bank would try to resolve the issue through the legal system.

"Until we believe that justice and the due legal process have been served then we will take

Continued on Page 10

SBC profits boosted by Warburg's performance

By John Gapper in London and William Hall in Zurich

Swiss Bank Corporation's £860m ($1.3bn) purchase of the UK investment bank S.G. Warburg last year has been more profitable than it predicted at the time, SBC said yesterday as it disclosed strong results for the first half of the year.

Although several large UK companies dropped SBC Warburg as an adviser in an upheaval after the acquisition last May, its corporate finance arm managed to return to profit after losing money in the second half of last year.

SBC Warburg has also improved profits in equity sales and trading by combining SBC's expertise in derivatives and risk management with S.G. Warburg's long-established presence in stockbroking in the UK and continental Europe. The results indicate that SBC may have cleared a significant hurdle in its acquisition of Warburg. A number of purchases of UK merchant banks and brokers by commercial banks have failed in the past because of awkward culture clashes.

SBC's acquisition of S.G. Warburg, which occurred after the UK's largest investment bank suffered a downturn in profits in 1994, has been among the most closely observed of the deals that occurred in the wake of the collapse of UK merchant bank Barings in February 1995.

Some 55 of 136 directors in the corporate finance arm of S.G. Warburg either resigned or were dismissed after the SBC acquisition.

SBC Warburg, which forms the investment banking arm of SBC, contributed to a 33 per cent rise in SBC's pre-tax profits. "Confounding many of the critics, we consider the integration to have been a success," said Mr George Blum, chairman. Although figures for Warburg were not disclosed separately, SBC said the operation gained mergers and acquisition advisory fees of SFr152m ($127m) in what has been an active few months. This returned the corporate finance arm to profit.

Analysts said the benefits of SBC's acquisition had emerged more quickly than anticipated, although many investment banks have reported strong earnings this year because of buoyant equity markets, and merger and takeover activity.

"There has been a turnaround in mergers and acquisitions, and equity operations have significantly exceeded budgets," said Mr Peter Wuffli, SBC's chief financial officer. It had enabled SBC Warburg to beat its initial targets.

However, the higher pay and bonuses of investment bankers inflated SBC's costs.

Investment side drives growth at SBC, Page 13

This announcement appears as a matter of record only. July 1996

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Samer Iskandar and **Richard Adams** on deficit and interest rate clashes

France gets caught in the Emu vice

Yesterday, for the first time, Mr Alain Juppé, France's prime minister, gave up the French citizen's sacred right to spend August undisturbed when he was forced to reassure volatile financial markets.

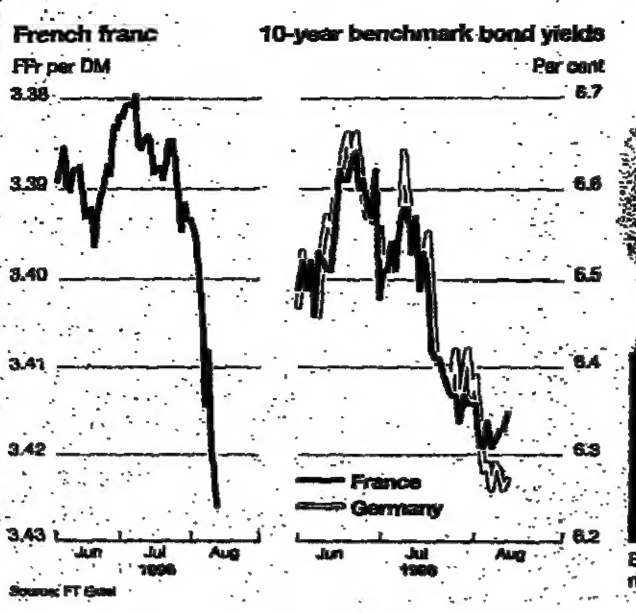
Turbulence on the French currency and bond markets in the past two weeks had necessitated repeated central bank intervention, and culminated in Mr Juppé's break from his holiday to deny the government was dissatisfied with the Bank of France's monetary policy.

The events highlighted the power struggles going on in France and Germany between the two countries' central banks and their political authorities.

Such things are normal in market-oriented economies, but the more independent the bank, the less likely that disagreements between ministers and governors over policy will make any difference to the markets.


President Jacques Chirac: wants lower interest rates

Markets grow edgy over political discord



Source: FT Extel


Bank governor Jean-Claude Trichet: more concerned about inflation

As one economist said: "[President Jacques] Chirac or Juppé can say what they like about the state of the French economy and its prospects for monetary union, but one statement by [Bundesbank chief economist Otmar] Issing about German repo rates can move the franc in a way they never could."

What he meant was that although most European central banks are today independent of political interference, none can claim to be independent of the Bundesbank. Because currency stability is a prerequisite for economic and monetary union, European interest rates have, in effect, to be pegged to German ones.

The irony is that highlighting central bank independence as an important pre-requisite for European integration was the politicians' idea. Independence was seen as the most effective way to contain inflation rates in European countries.

But with inflation now less of a concern than it was over the last two decades, the rigid stance of central banks is seen by politicians as "more of a hindrance than a few years ago", said Mr Adrian Owens, a London-based European economist at Julius Baer. "There is no inflationary risk today in Germany and France."

The main challenge now facing France is to bring down its budget deficit to below 3 per cent of gross domestic product to qualify for the single currency.

In order to meet this target, "politicians are tempted to accept slightly higher inflation", according to Mr Owens. But not central bankers. So, central bank independence is increasingly seen by politicians as an impediment to Emu.

Central bankers, meanwhile, say their main responsibilities are to ensure sustainable, non-inflationary growth, and protect the value of their currency.

The first shots were fired a month ago when Mr Chirac publicly criticised the high level of interest rates in France and Germany. He was then rumoured to have explored ways of undermining Mr Jean-Claude Trichet, governor of the Bank of France, to force him out of office. Although these rumours were later denied by Mr Juppé, the underlying tension took its toll on the French financial markets.

The markets still think Mr Chirac believes Mr Trichet stands in the way of the French government's desire to see lower official interest rates to boost consumption and increase tax revenues to narrow the public deficit. And financial markets typically fear political discord.

As a result, in the last two weeks the franc has depreciated from less than 3.40 against the D-Mark to more than 3.43 at one point. And 10-year French government bonds, which over the past several months had become more expensive (yielding less) than German bunds, have in the past week become cheaper. Higher bond yields mean the French treasury's cost of borrowing rises.

Mr Mark Fox, chief European strategist at Lehman Brothers, attributes central banks' rigidity to structural rigidities in their economies. "Cyclical levers, such as monetary policy, have more effect on liberalised, market-oriented, economies such as the US. Central banks [in Europe] will be able to use monetary policy effectively only after European economies have been through major structural reforms."

Another London-based economist said: "It must be frustrating for central bankers to sit there and watch the politicians fiddling around with taxes and budgets when they can see more fundamental changes are required."

Earlier this week, Mr Issing also pointed in that direction, saying Germany's problems were structural rather than monetary. "If morale in Germany hinges on the Bundesbank cutting the repo rate by 10 or 20 basis points [0.1 or 0.2 percentage points], then things are pretty dire," he said.

Meanwhile, Mr Fox expects tension in the markets to intensify, with the Bundesbank becoming more reluctant to ease its rates as political pressure for it to do so intensifies.

Julius Baer's Mr Owens, however, points to what he admits is a slim glimmer of hope. If a pick-up in economic activity does materialise – signs of it have already surfaced in Germany – politicians could become convinced that a monetary easing is not needed.

Lex, Page 10

Rooster races bite the dust in north Spain

By David White in Madrid

In the year beach volleyball became an Olympic event, another competitive sport is on the point of disappearing – the centuries-old practice of rooster races at an obscure village in northern Spain.

Under pressure from lobby groups and animal protection laws, the mayor of Nalda, in the wine-growing Rioja region, has reluctantly called off this weekend's race. The woman holding the fort at the town hall yesterday recognised regretfully that the 200-year tradition was "finished for ever".

The name "rooster races" is possibly misleading. The roosters did not actually race, but spent the time hanging upside down, attached by their feet to a wire strung between the two poles. The racing was done by horsemen, whose challenge was to pull the cockerels' heads off while riding at full gallop.

The event has up to now been the climax of annual festivities in honour of the Virgin and San Roque, Nalda's patron saint. Despite the decision by mayor Juan Bautista García, a Socialist, Sunday is still marked down in the programme as "Rooster Day".

Last year the Rioja regional government said the race could not go ahead under its new laws if the organisers persisted in stringing up live cockerels. As a result the official competition was staged using dead birds.

After some tense exchanges, some villagers decided to hold their own unofficial race in the time-honoured fashion, away from the press and television cameras. But they were filmed nonetheless, by the Civil Guard, who started proceedings against those involved.

A formal statement from the local council said the race was being cancelled – "for the first time since time immemorial" – to avoid "sad situations" like last year's. "The council of Nalda does not want to break a law which it accepts democratically, although it does not in any way agree with its content," it said.

Locals are cagey about expressing opinions. But one hotelier complained that trade would suffer. Nalda (population about 800) has no other claim to fame. "The race was what brought in most spectators. There were even four or five television crews, lots of people," he said.

"It's a pity," lamented the woman at the town hall. "We have these traditions, and people from outside mess them up."

"It's not right," another villager told the local paper. "They are always picking on the roosters. But they don't do anything about the bulls."

Thousands flee in Grozny ceasefire

By John Thornhill in Moscow

An uneasy stand-off prevailed in Grozny last night after the Russian army and Chechen resistance fighters agreed a temporary ceasefire at midday allowing thousands of trapped civilians to flee the fighting.

But there were reports of sporadic gunfire throughout Chechnya yesterday as both sides accused the other of violating the truce. Correspondents in Chechnya said Russian helicopter gunships continued to patrol the skies firing at targets after the ceasefire was due to come into force.

Following a further meeting late yesterday afternoon, Russian and Chechen field commanders agreed to investigate further violations in an attempt to halt eight days of intense fighting which have left hundreds dead.

Rumours in Moscow suggested Mr Alexander Lebed, Russia's national security chief, was also planning to make a second visit to Chechnya to meet top rebel commanders to pursue a permanent settlement.

But the Izvestiya newspaper reported that Kremlin infighting had delayed the signing of a presidential decree transferring more authority to the security council, which Mr Lebed runs. The former general said he could only resolve the Chechen conflict if he were given broader powers.

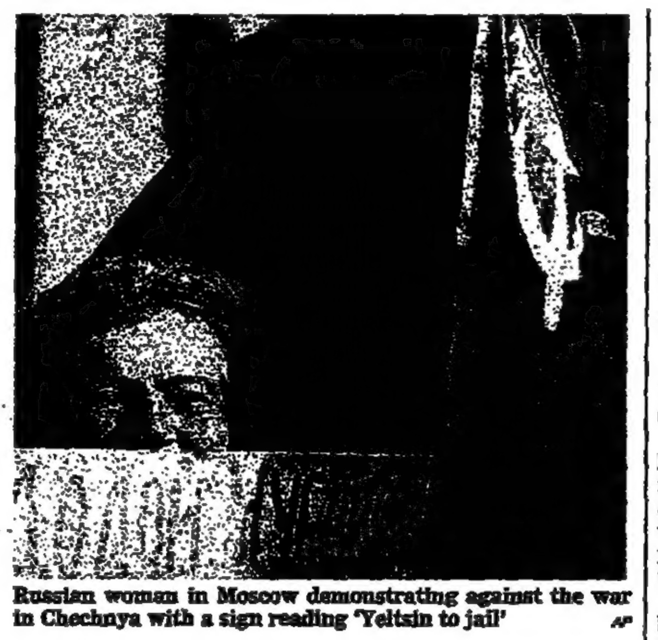
There appeared to be considerable confusion among Russian officers yesterday morning about whether they had even agreed to stop fighting. Military officials initially denied reports that any deal had been struck with the Chechens but General Konstantin Pulikovsky, acting commander of federal troops in Chechnya, later confirmed he had ordered his troops to stop firing unless attacked.

Chechen fighters who in previous years had launched several lightning raids on Grozny before fading back into the southern mountains, appear to be preparing themselves for a long occupation of the Chechen capital and have blockaded themselves into several quarters in the city.

Mr Shamil Basayev, a hardline Chechen commander who led a hostage-taking raid on Budennovsk last year, said the rebels would not not stop the war until Russian troops had pulled out of the region.

"We began the war in Grozny and we have decided to end it in Grozny," he told a Reuters correspondent yesterday.

Russian president Boris Yeltsin, who has postponed his holiday until next week to deal with the crisis, now faces an agonising dilemma in the absence of a political solution.


Russian woman in Moscow demonstrating against the war in Chechnya with a sign reading 'Yeltsin to jail' AP

Either he must escalate the conflict and attempt to oust Chechen forces from Grozny for a second time or be forced into a humiliating climbdown.

The first option would result in thousands more deaths and could lead to the further fraying of the Russian armed forces. But the alternative could result in damaging political fall-out in Moscow.

Mr Nikolai Yegorov, the former presidential chief of staff who now heads the Krasnodar region near Chechnya, yesterday urged the Russian forces to stop talks and crush the Chechens.

"I am convinced we must not conduct talks with them. Experience shows talks inevitably result in a renewal of combat actions in Chechnya," he said.

Polish coalition row over insurance top job

By Christopher Bobinski in Warsaw

A senior adviser to Poland's finance minister has been appointed head of the country's largest insurance company, sparking a row within the ruling coalition.

Most of the executive board of PZU, which controls around two-thirds of Poland's insurance market, resigned this week after Mr Roman Fulneczek was unexpectedly sacked to make way for Mr Jan Monkiewicz.

Mr Fulneczek has links with the Polish Peasant party (PSL), the junior partner in the ruling coalition, while Mr Monkiewicz, is a supporter of the former communist Left Democratic Alliance (SLD), the dominant coalition party. The PSL is angry about Mr Fulneczek's dismissal.

PZU reported a net profit of 105.2m zlotys ($39m) last year.

The move comes in advance of talks between the coalition partners on an overhaul of the government's structure, which will involve senior ministers sharing out a smaller number of cabinet places and is expected to see Mr Grzegorz Kolodko relinquish his post as finance minister.

Mr Kolodko was responsible for appointing Mr Monkiewicz – his adviser on banking and insurance policy – to head the insurance giant.

The reorganisation, which starts from October 1, involves establishing a new Treasury ministry to take over some functions of the finance ministry and other ministries, and merging industry with foreign trade in a new ministry of the economy. Seven ministries will disappear and four new ones will be created.

The PSL is expected to make a strong bid for control of the Treasury which will oversee privatisation and control state sector holdings. The party will argue that this post would compensate it for losing control of several ministerial jobs in the economic sphere such as industry and foreign trade.

Mr Wlodzimierz Cimoszewicz, the prime minister, a member of the SLD, is reported to be planning to replace Mr Kolodko, the finance minister since 1993 with Mr Dariusz Rosati, currently the foreign minister, who is also linked to the SLD.

EUROPEAN NEWS DIGEST

Second death in Cyprus clashes

A Greek Cypriot was killed and two United Nations peacekeepers were wounded yesterday when Turkish Cypriot soldiers fire on demonstrators in the buffer zone that has divided Cyprus since 1974. It was the second death in four days of intercommunal violence on the island.

Eyewitnesses said the shooting started after several hundred Greek Cypriots broke through a checkpoint near the spot where a man was beaten to death on Sunday, reportedly by members of an ultra-nationalist Turkish movement. The man killed yesterday had been trying to to pull down a Turkish flag at a sentry post.

Tension has been high since Sunday's clashes between Turkish Cypriots and a group of Greek Cypriot motorcyclists, who crossed into the buffer zone. The latter had ridden from Berlin to focus international attention on the Cyprus problem. *Kerin Hope, Athens*

European car sales grow

New car sales in western Europe, growth of which have been erratic this year, were up 6 per cent to 7,915,582 in the first seven months of this year, according to industry estimates. Official July figures will not be confirmed by the European Automobile Manufacturers' Association until next month.

The estimates suggested the Volkswagen group continued to reinforce its position as market leader by taking 18.3 per cent of the European market in July. That would raise its penetration for the first seven months to 17.5 per cent, from 17.2 per cent in January-June.

Sales by Japanese carmakers rose by 9.6 per cent to 96,818 in July, accounting for 9 per cent of the month's market. Korean brands continued to do well, with a 48.5 per cent leap in sales to 143,628, a 1.8 per cent market share of the January-July period. *Haig Simonian, London*

Moscow buys big stake in Zil

Moscow's city authority has effectively renationalised one of the country's most famous industrial enterprises by buying out a big private shareholder in Zil, which makes trucks and the bulky black limousines once used by politburo members. Mr Yuri Luzhkov, Moscow's entrepreneurial mayor and long-time critic of Russia's mass privatisation programme, said Zil would be better run in state hands – in common with many other large enterprises.

The Microdin trading company spent $5m building up a 30 per cent stake in the company since 1993 but was not able to exercise sufficient control to force through a restructuring and appears to have sold its stake for $6m. Mr Luzhkov described the financial crisis at Zil as an example of an "ill-conceived privatisation" and said the city authorities would assume responsibility for making the plant profitable. The defence and agriculture ministries would soon place new orders, he said, promising to help the company diversify into other products, such as refrigerators. *John Thornhill, Moscow*

Contract trade-off demanded

Foreign companies should be awarded public sector contracts in Germany only if they invest in training their personnel, Mr Rudolf Scharping, head of the opposition Social Democrat party's parliamentary group, said yesterday.

His demand is likely to add to the controversy over the the awarding of contracts for projects such as power stations. The US is demanding that Germany create a proper appeals procedure to deal with complaints about the way contracts are awarded.

Mr Scharping said most companies were so focused on short-term profits and shareholder value that longer-term considerations were not heeded. "Naturally we can't dictate how training is to be done in Italy or France," he said, "[but] we need to recover some of our long term thinking and longer term investments. One of those is training."

■ Germany's trade surplus in May rose to DM9.5bn ($6.4bn) as weak imports reflected sluggish domestic demand, according to preliminary figures from the Federal Statistics Office. The current account deficit rose to DM2.5bn, considerably higher than the DM0.7bn last May but less than the DM4.5bn forecast by some. The shortfall reflected a deficit in services and investment income, analysts said. *Michael Lindemann, Bonn*

Trans-Dnestr hopes raised on trade

By Matthew Kaminski in Kiev

The leader of Moldova's impoverished breakaway Trans-Dnestr region yesterday won guarded support from neighbouring Ukraine for easing cross-border trade and securing energy supplies.

But Mr Igor Smirnov, self-styled Trans-Dnestr president, got no support for independence nor did he offer any new initiative for solving the festering conflict with Moldova which, after a brief civil war in 1992, has turned into a stalemate.

The talks in Kiev marked a growing diplomatic role for Ukraine, which in January joined Russia and the Organisation for Security and Co-operation in Europe as joint mediator.

Ukraine supports the Moldovan government's demand for Russian-speaking Trans-Dnestr – a sliver of land with a population of 700,000 and a border with Ukraine – to accept autonomy short of confederation or outright independence.

The Kiev government fears a breakaway could affect its own links with Crimea, a peninsula inhabited by a majority of Russians, and is concerned about a continuing Russian troop presence in Trans-Dnestr.

In 1992, when the local Russian leadership in Trans-Dnestr opposed the independence of Romanian-speaking Moldova, the Russian 14th Army based in Tiraspol, the regional capital, intervened to stop fighting between Trabs-Dnestr militia and local troops. The 6,000 troops have stayed on, and a 1994 withdrawal agreement remains unimplemented.

Mr Hennady Udovenko, Ukrainian foreign minister, yesterday called for the destruction of a large munitions stockpile in Trans-Dnestr to be speeded up and said Ukraine might join the peace-keeping force.

The Tiraspol leadership, unrecognised abroad and saddled with runaway inflation, refused last year to implement an agreement for circulating the Moldovan currency.

Neither Mr Alexander Lebed, the Russian national security chief, who led the 14th Army before entering politics last year, nor the Russian leadership have hidden their dislike of Mr Smirnov, whose hard-line government retains a strong security apparatus and economic central planning.

But Trans-Dnestr involves the politically sensitive plight of the Russian minority in the "near abroad". It also gives the Russian army a toehold in south-eastern Europe.

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Hungary-Romania pact agreed

Years of wrangling over minority rights brought to an end

By Virginia Marsh in Budapest

Hungary and Romania yesterday cleared the way for the signing of an historic bilateral treaty aimed at normalising their relations, after years of wrangling over minority rights.

After two days of negotiation in Bucharest, the two neighbours said they had resolved all outstanding issues and hoped to sign the treaty next month after one more round of talks to finalise the text in Budapest next week.

The breakthrough follows strong western pressure to agree the treaty. Both countries had been told they would not be admitted to Nato or the European Union until they settled their differences.

A similar recognition treaty was signed between Hungary and Slovakia last year. At that time, talks between Budapest and Bucharest failed at the last moment over inclusion of a Council of Europe recommendation on minority rights.

Both Romania and Slovakia have been home to large ethnic Hungarian minorities since the break-up of the Hapsburg empire after the first world war. Fear of Hungary's irredentism for its lost territories, and concern over the rights of the minorities, have soured Budapest's relations with Bucharest and Bratislava and have been a source of regional instability ever since.

Under yesterday's agreement, Romania accepted the inclusion of the recommendation, something it had previously refused to do. However, the two sides have drafted a common interpretation of the document which Bucharest says does not imply either collective rights or local autonomy based on ethnic criteria.

Both Romania and Slovakia protested strongly last month after Budapest signed a statement which supported demands by Hungarian minorities in neighbouring countries for limited autonomy, within European norms, in areas where they form the majority.

Few analysts had expected Bucharest and Budapest to make progress on the treaty before Romania's upcoming general elections. However, diplomats said Hungary had become more willing to compromise after the US and other western countries made clear they did not support its July statement.

At the same time, Romania had launched a diplomatic offensive to keep its goal to join Nato on track, sensing it was increasingly lagging behind other applicants. The alliance is due to make decisions on enlargement by early next year.

The agreement will be a welcome boost to the governing Party of Social Democracy which faces a tightly contested election in November.

Lonely for blacks in the Big Tent

But the Republican party is courting minorities, reports Patti Waldmeir

Abner Mason should not be famous. But this young, black, gay Republican has become something of a celebrity since General Colin Powell outlined a new Republican electoral strategy on Monday night – which he dubbed the Big Tent theory of unity in diversity.

As Mr Mason points out, his fame proves how small the tent really is. In a more diverse party, he would be less remarkable.

Instead he has become unofficial spokesman for the Big Tent faction and carries Big Tent label stickers in the breast pocket of his starched button-down shirt. This North Carolina-born yuppie is a member of the Massachusetts delegation and one of only 54 black delegates to the Republican party convention – less than 3 per cent of the total, despite valiant party efforts to stress the new diversity. As a gay Republican, he can number himself among an even smaller minority.

Mr Mason admits it is a lonely life in his chosen party but believes all that is about to change. "This party has figured out that it was on the wrong track. The party of Lincoln had become the party of Buchanan," he says, referring to erstwhile presidential contender Mr Pat Buchanan, an ultra-conservative Republican who has made no secret of his opposition to homosexuality.

"But the party realised that that road leads to political oblivion, and this convention has taken the first steps to getting it back on track. The forces of intolerance have lost."

Mr Mason bases that judgment on the fact that, though the ultra-conservative faction had its way with the party platform, the convention-speaking programme has been packed with Republican moderates. Monday's celebrity speaker was Mr Powell and Tuesday's was Congresswoman Susan Molinari, another candidate for diversity, an abortion rights supporter and a woman.

Mr Mason says that is a victory for the party's presidential nominee. "Bob Dole lost the platform fight, but the platform doesn't matter," he argues, referring to action by the party's platform committee. Dominated by conservatives, the committee exiled Mr Dole's proposed references to tolerance of opposing viewpoints to a "minority report" or appendix. But when it came to podium speeches, the candidate triumphed.

On the convention floor, however, Mr Mason's "forces of intolerance" are strong if not dominant. Some 500 of the 1,900 delegates are members of the ultra-right Christian Coalition, according to Mr Ralph Reed, the coalition's director. He says 35-40 per cent are "evangelicals" and probably over half are religious conservatives. However moderate the image projected from the podium, floor delegates are, if anything, more uncompromisingly conservative than ever before.

The Rev Jerry Falwell, a Bible-thumping, pocketbook-pumping media star and ultra-right Republican, is one of them. Asked whether he welcomed homosexuals into his party, the Rev Falwell said he was happy to extend the Big Tent to gays and lesbians so long as they had no power over party policy.

He quickly raised the subject of Aids, saying that while he had sympathy for Aids sufferers, the party had a responsibility "to encourage gays and lesbians to stop doing the things that cause the disease". Republicans are counting on Mr Powell and Mr Mason to lure previously excluded minorities under the new canopy.

Mr Kevin Fobbs, the highest-ranking black Republican in the nation as vice-chairman of the Michigan Republican party, believes his party is the natural home of black Americans.

"African Americans are conservative. That's part of our heritage. We believe in the family as central to the framework of society, we are religious; we believe abortion is wrong.

"If you take away the Republican label, 95 per cent of my people will say Republican values are their values." Mr Fobbs is a former community activist who sports a lapel button declaring allegiance to the much-criticised Mr Newt Gingrich, Speaker of the House of Representatives. It declares he is "Newt's Friend".

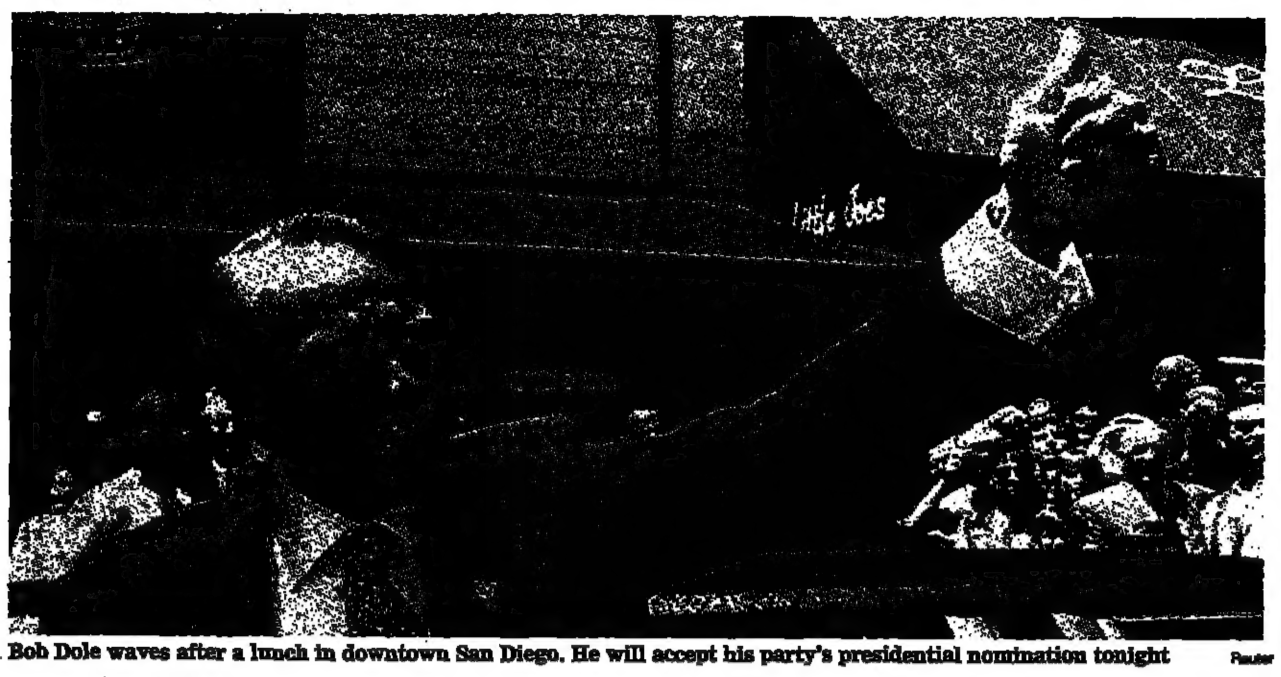
Mr Fobbs believes Mr Powell is the key to expanding the party's black base beyond the 11 per cent of African Americans who voted for it in 1992. But the general would probably have to stand as a Republican candidate, not just speak up for the party, to achieve that.

Many black Americans feel that if Mr Powell would not be comfortable in the party as its presidential nominee – a position he could probably have claimed – they would not be comfortable in it as members.

The election result could depend heavily on whether the Big Tent can be erected in time. President Bill Clinton won in 1992 largely on the basis of votes from blacks, women, gays and other minorities. Mr Dole must erode his support in those communities.

Patti Waldmeir reports on a positive if unsurprising Republican convention

All eyes on Dole to maintain 'bounce'



Bob Dole waves after a lunch in downtown San Diego. He will accept his party's presidential nomination tonight Reuter

The Republican party convention in San Diego will reach a climax tonight when Mr Bob Dole accepts his party's presidential nomination and delivers a speech aimed at persuading voters that he can come from behind and win the White House.

Convention delegates, buoyed psychologically by a convention which has avoided dissent and captured largely positive headlines, will be looking to Mr Dole to sustain their party's new momentum beyond the close of business in San Diego tonight.

For the first time in days, Mr Dole last night became the focus of the convention proceedings, with the official choice of a nominee the primary item on the agenda. The previous days had been dominated by positive media coverage of his running mate, Mr Jack Kemp, and the convention's opening speaker, former General Colin Powell.

The surprise choice of Mr Kemp, and rave reviews of Mr Powell's speech, gave delegates an early morale boost. But by last night that had waned slightly, as Republicans faced criticism that they had scripted their convention too tightly, for the benefit of television, and deprived it of both spontaneity and interest.

Mr Ted Koppel, host of one of the premier television news programmes, ABC's Nightline, left San Diego on Tuesday night saying his show would no longer cover the convention.

"This convention is more of an infomercial than a news event," he told viewers. "Nothing surprising has happened. Nothing surprising is anticipated."

Viewers also reacted badly to the made-for-TV convention. Rating figures for Monday night, when Mr Powell spoke, showed a 27 per cent drop from those for the equivalent night at the 1992 convention.

Partly this reflects a deliberate Republican attempt to project an image of dull harmony from the podium, where speakers on Tuesday night avoided all mention of controversial topics.

Congresswoman Susan Molinari, chosen as keynote speaker because of her support for abortion rights, did not mention the issue in her speech.

Mr Newt Gingrich, the controversial House speaker, was kept off the podium entirely during television prime time, allowed to speak only briefly before most network coverage of the convention began.

Speaker after speaker kept to the safest of Republican themes: attacks on President Bill Clinton, and promises to restore the American dream. The "dream theme" dominated the evening's proceedings: Ms Molinari mentioned it 19 times in 10 minutes, and Congressman J.C. Watts, a black Republican, made 11 references in half that time. It was the central theme of almost every speaker.

Mr Dole will need to deliver the best speech of his life tonight if he is to prolong the "convention bounce" he can expect from the opinion polls, and overcome the 20-point deficit with Mr Clinton which he had when the convention opened.

At that stage, Mr Dole was further behind his rival than anyone who has gone on to win in any modern campaign.

Old guard defends international role

Senior party members at odds with grass roots on foreign policy, writes Jurek Martin

A funny thing happened on the way to the convention arena on Tuesday. Four well known Republicans got together to say (relatively) nice things about the United Nations and its secretary general, Mr Boutros Boutros Ghali.

They were not delegates nor were they were running for office anywhere, but their credentials were impressive. They are Henry Kissinger, Alexander Haig, George Shultz and Laurence Eagleburger – merely four of the last five Republican secretaries of state (James Baker, the fifth, was absent).

Though they preferred to rake President Bill Clinton's conduct of foreign policy over the coals, their parallel mission was to remind anybody who wanted to listen that the Republican party has a long tradition of internationalism that has no business being ditched.

As Dr Kissinger put it, "the danger we faced in the cold war was defeat, the danger we face now is irrelevance." Naturally, they all said that a Bob Dole administration could be guaranteed to keep the US engaged as a true leader in global affairs more effectively than the current one.

That is not exactly the message of the party's platform, which contains some nationalist sentiments close to the heart of Mr Pat Buchanan, the former candidate for the party's nomination, who has little truck with foreign governments and international institutions.

Of many ripe passages, one attacks the "Clintonite view that soon nationhood as we know it will be obsolete; all states will recognise a single authority." That appears closer to the paranoia of the rightwing militia movement that UN helicopters will soon descend all over the country to enforce the New World Order.

Another states bizarrely that Republicans will not "permit any international court to seize, try or punish American citizens." Those allies already concerned about US extra-territoriality in trade-related matters may wonder what this portends.

Other recommendations have been thoroughly foreshadowed, none more so than: "We oppose the commitment of American troops to UN 'peacekeeping' operations under foreign commanders and will never compel American servicemen to wear foreign uniforms or insignia."

The second part of this recommendation stems from a case dear to Mr Buchanan's heart – that of Corp Michael New, court-martialled last year for refusing to wear the UN blue beret.

Closer to the transatlantic bone is the demand for the "immediate expansion" of Nato to include the recently democratised countries of eastern Europe. Russia, the platform states, may have a "special security arrangement with Nato" but no veto over its enlargement.

There is much more to the platform, but perspective is needed. Both Mr Dole and Mr Jack Kemp, his choice as running mate, say they have not read it and do not feel obliged to implement its every letter if elected. That much is traditional.

The greater risk is that in the course of the campaign a candidate offers hostages to fortune that may tie his hands in foreign affairs if he becomes president.

That was arguably the case with Mr Clinton's promise in 1992 at a largely Irish-American rally to appoint a special envoy to Northern Ireland. At the time this commitment greatly disturbed the British government and it did prove the harbinger of the US drive to bridge the Ulster divide.

The redemption of some promises may be avoided. In 1980, candidate Ronald Reagan said he would set "a date certain" for the release of the US hostages in Tehran after which military action would ensue, but the hostages were released at the moment of his inauguration.

This year, it is evident that the incumbent looks less vulnerable now in foreign affairs than he did two years ago. Recent successes in the Middle East, the Balkans and Northern Ireland look shakier than they did but the drum beat of criticism has become more muted, reflecting the relative lack of interest in foreign policy from the electorate.

Still, the four ex-secretaries of state implicitly warned Mr Dole not to get carried away and demonise Mr Boutros Ghali, as he has been doing for much of the last year, or to assume, as they argued Mr Clinton did, that the UN's only value is as an instrument of US policy, thus risking the solidarity of US relationships with its best allies.

There remains the possibility of a foreign policy "surprise" before the November election. Both the Balkans and the Middle East are alive with the threat of new terrorism and there have been recent hints from Cuban-Americans that they may again seek to provoke President Fidel Castro into the sort of reaction that may, in turn, force Mr Clinton to act dramatically.

But that is an easy and conspiratorial hypothesis and any administration response will also take on board the president's standing in the opinion polls. After all, President George Bush did not intervene in Somalia in 1992 until after he had been defeated.

Argentine strike threatened

Argentine unions said yesterday they might call a general strike lasting 36 or 48 hours for the end of this month or early September in protest at an austerity package announced earlier this week by Mr Roque Fernández, the economy minister, writes David Pilling in Buenos Aires.

Last week, a national strike brought the country to near-standstill and led to clashes between strikers and the security forces. It was the biggest strike faced by President Carlos Menem since he was first elected in 1989.

Austerity measures, which aim to save the Treasury an annual \$4bn-\$4.5bn, would kill off demand and plunge Argentina back into recession, said a spokesman for the CGT union federation. The measures, including tax rises and an end to several industrial and export-promotion subsidies, would quickly bring the government into conflict with unions, he warned. The CGT will decide whether to call a strike next Tuesday.

The package, some elements of which need congressional approval, would raise the outgoings of an average middle-class family by 6 per cent, according to the Orlando Ferreres economic consultancy.

Clinton moves on sweatshops

By Nancy Dunne and Stella Burch in Washington

The White House will soon appoint a high-level task force to help ensure that clothing and footwear sold in the US are manufactured under humane working conditions.

The task force, which will include representatives of companies, and labour, consumer, religious and human rights groups, will have six months to submit recommendations for informing consumers about the conditions, both in the US and overseas, under which products are manufactured.

The White House initiative follows the growing use by US worker rights activists of consumer pressure to improve working conditions both in the US and abroad.

A boycott, called by the National Labour Committee, against The Gap clothes shops in the US, forced the management last December to promise to improve the lot of young workers in the subcontracting factories in El Salvador. Pressure is being applied by the same group to improve conditions for Haitians making Walt Disney merchandise.

Mr Clinton, prodded by Mr Robert Reich, his labour secretary, is advocating a less confrontational approach. He is urging companies to be "good corporate citizens" by monitoring the working conditions of manufacturers who produce their goods.

At a White House meeting earlier this month, also attended by Vice-President Al Gore, Mr Clinton told chief executive officers of Nike, Liz Claiborne, and other market leaders: "Human and labour rights are not brand names. They are the most basic products of our democracy."

The companies have pledged to co-operate. Their representatives are scheduled to meet others on the task force on September 6 in the White House.

Under consideration is a proposal to provide "sweatshop free" lists or product labels. Rugmark International, a global programme, which uses labels to ensure no child labour was used in making hand-knotted rugs, was held up at the White House meeting as one model.

Officials say the initiative is more than a political ploy in an election year when the president needs a strong turnout from labour. They point to a survey conducted late last year by Marymount University which found that over 75 per cent of Americans would boycott stores selling goods produced in sweatshops. Almost 85 per cent said they would be willing to pay up to \$1 more on a \$20 garment if it carried a label guaranteeing that it had been made under humane conditions.

Concern about working conditions in the garment industry was heightened by the discovery of a California sweatshop last year where more than 70 Thai workers were kept in virtual slavery, earning \$1 a day to repay their passage to the US.

Mr Philip Knight, Nike chairman, did not endorse the labels approach but acknowledged that "we need to do a better job of publicly describing the actions we've taken to promote fair labour practices in newly emerging market societies".

中国出口商品交易会

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Hebron is test of Israel's intentions

By David Gardner in Hebron

The new rightwing government of Mr Benjamin Netanyahu is facing the first real test of its intentions towards the peace arrangements between Israel and the Palestinians.

It is poised to decide whether Israel will honour last year's agreement to hand over most of the West Bank city of Hebron to the self-governing Palestinian Authority, a decision which will both reveal the new premier's true colours and test the credibility of Mr Yassir Arafat, the Palestinian leader.

Mr Yitzhak Mordechai, defence minister, is believed to be proposing a rewrite of last year's agreement – the second phase of the 1993 Oslo accords – by retaining Israeli army security control over Hebron. The Arab city, where 415 extremist Jewish settlers live in a fortified enclave surrounded by 130,000 Palestinians, is a dangerous flashpoint of continuing Israeli-Palestinian conflict and is the West Bank stronghold of Hamas, the Palestinian Islamist group opposed to Oslo.

Under the Oslo agreement, which returned the cities and urban areas of the West Bank to Palestinian control, the Israeli Defence Forces (IDF) were to withdraw from four-fifths of Hebron by March 28 and hand over to Mr Arafat's security forces.

The outgoing Labour-led government postponed "redeployment" after the Hamas suicide bombings of February and March. The decision was still pending when Mr Netanyahu's Likud won power in May on a platform which pushes aside the "land for peace" formula driving Middle East détente.

Cabinet and security chiefs are at present discussing the withdrawal option, and a decision is expected imminently.

Mr Netanyahu has said he is committed to peace with the Palestinians and Israel's Arab neighbours, but Israeli security comes first.

He told Arab journalists at the weekend his government would decide on Hebron "in the next few days." His government now appears tempted to surrender only civilian control over Hebron.

Coupled with last week's decision to expand Jewish settlement in the West Bank, any Israeli backtracking on Hebron would further convince Palestinians Mr Netanyahu's coalition of rightwing nationalist and religious fundamentalists intends to configure Jewish settlement clusters in a way which fastens them to Israel while keeping Palestinian territory atomised into isolated enclaves.

Mr Arafat held up last September's signing of "Oslo Two" until he got a commitment on Hebron. Any reversal now could be fatal to his diminishing standing among Palestinians. Over half the respondents to an opinion poll in the city recently said support for the Palestinian Authority was falling.

Mr Mustafa Natshe, the mayor of Hebron, said in an interview with the FT yesterday that "Hebron is very important to Abu Ammar's (Arafat's) credibility, because it is the biggest city in the West Bank and he has to show the Palestinian people he is capable of wresting control of it".

Mr Natshe said: "If Israel wants to encourage Hamas and the Popular Front (for the Liberation of Palestine), they can try to keep control and give the rejectionists more influence."

He pointed out that the Hamas bombers of February and March emerged from Hebron and surrounding areas under exclusive Israeli security control rather than the towns run by the Palestinian Authority where Mr Arafat's security forces have got a grip on the anti-Oslo militants. "The same would happen here," if the IDF withdraws, he said.

The Palestinian leadership rejects any changes to last year's agreement in Oslo, underlining this is an international accord bearing the signatures not only of the Israeli government but of Presidents Bill Clinton and Boris Yeltsin, co-sponsors of the peace process.

Now there are more rich to get richer

Europe has overtaken North America as the world's biggest centre for private wealth but will soon be eclipsed by Asia, according to a new assessment of the global wealth market.

Merrill Lynch, the investment bank, and Gemini Consulting estimate that rich individuals with more than $500,000 in financial assets controlled $16,700bn last year, a figure which has grown by more than 6 per cent a year over the last decade.

Europe now has 1.7m such wealthy individuals with an estimated $4,700bn, outstripping the 1.6m rich people in North America whose combined wealth is estimated at $4,500bn.

But the study shows that the assets controlled by Asia's rich have grown at the much faster pace of 9 per cent a year over the past decade and now amount to more than $4,200bn. Wealth is growing especially fast in such countries as South Korea, Hong Kong, Singapore and Thailand.

Mr David Pitman of Merrill Lynch acknowledged that compiling accurate statistics on the wealth market was a difficult task.

"We can't say that $16,700bn is an absolute number; it might be $14,000bn or it might be $18,000bn," he said.

But he is confident that the figures, which are considerably higher than most other recent estimates, measure the relative growth of different regions and show a real increase in the wealth at the top end of the affluence scale.

"We think the message is that more people are getting rich, rather than that only the rich are getting richer," he said.

But the Merrill/Gemini data show that the concentration of wealth varies widely from region to region. Wealth in Latin America is held by a tiny millionaire elite.

"In countries like Brazil a small number of people have an extraordinary proportion of the wealth, but in more mature markets like the US, wealth tends to be more evenly distributed," Mr Pitman said.

Private bankers and asset managers are avid consumers of data on the size of the market they are targeting: individuals with large amounts of what they call "investable assets". Profits from private banking tend to be much more stable than the volatile trading income of investment banks and to require much less capital than traditional lending business.

One of the most widely used estimates has been the figure of $9,600bn produced by Chase Manhattan Bank in conjunction with consultants from the McKinsey group. That estimate was produced in 1993, and Chase suggests it would by now need rounding up by at least 15 per cent, taking it above $11,000bn.

A recent estimate by the Oliver, Wyman consultancy arrived at the figure of $11,500bn.

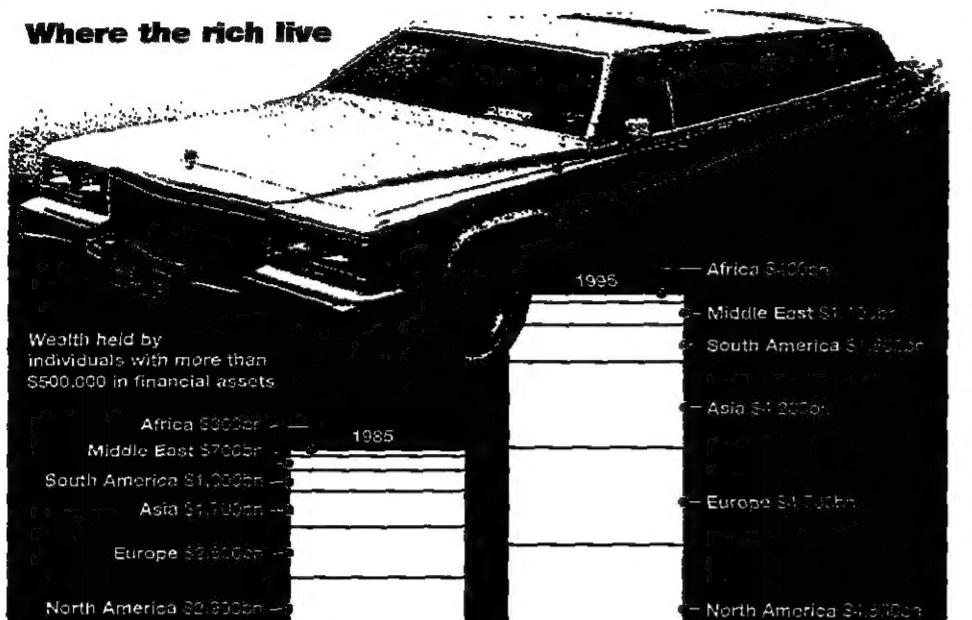
Chase's calculations, however, aim further up the income scale than Merrill's since they include only individuals with investable assets of more than $1m.

Mr David Maude, an economist and co-author of a recent study of the world private banking market, points out that the private banking market is too diffuse to measure with any degree of accuracy.

"Most wealthy people are pretty secretive, and that immediately causes problems when you are trying to measure things," he said. But Mr Maude and most private bankers agree that demographic and economic trends are generating rapid growth in the wealth market. In mature markets such as the US and Europe, middle-aged people from the "baby boom" generation are now inheriting property and other assets from their parents, while faster growing economies in regions such as the Far East are throwing up large numbers of newly wealthy entrepreneurs.

George Graham

Where the rich live



S Africa debate on competition set to resume

By Roger Matthews in Cape Town

The struggle between the South African government and big business over new legislation to reform competition policy is set to resume next month.

The outcome may also reveal how much future likelihood there is of government, business and labour achieving common positions on key issues.

Mr Alec Erwin, the minister of trade and industry, said yesterday the government's broad proposals on competition should be ready for publication in a few weeks.

"There will then be broad discussions within the National Economic Development and Labour Council (Nedlac), and hopefully a draft bill will be ready to present to parliament early next year," he said.

"However I am not setting any rigid timetable."

The ruling African National Congress opened the debate on competition policy last year by launching a series of sharp attacks on the five or six conglomerates which control over 75 per cent of the capitalisation of the Johannesburg Stock Exchange.

Mr Cyril Ramaphosa, the secretary general of the ANC who is soon to leave politics to begin a career in business, warned the conglomerates government was determined to break "their stranglehold on the economy".

However, the government later backed away from the conflict when Mr Trevor Manuel, then minister of trade and industry, decided there were too many flaws in the draft legislation and ordered that it should be re-drafted.

Mr Erwin is expected to follow the same general approach adopted by Mr Manuel, but has the benefit of an enlarged drafting team.

India halts N-ban talks progress

India yesterday blocked forwarding a global nuclear test ban treaty to the full Conference on Disarmament, sabotaging two-and-a-half years' negotiations, Reuter reports from Geneva.

Asked after a closed-door committee meeting whether the Indian envoy had said she could not accept transmission of the text, Mr Stephen Ledogar, US disarmament ambassador, said: "Yes, they did, just as they had last night in the informal meeting."

A European diplomat, who asked not to be named, added: "India confirmed officially it would oppose any transmission of the treaty text."

Ms Arundhati Ghose, the Indian ambassador, made no immediate comment leaving the ad hoc committee. But Mr Ledogar told reporters delegates would reconvene informally soon to draft the committee's report to the full Conference on Disarmament. "What we are going for is a consensus, in effect that the committee has no consensus," he said.

India says it will not sign the present draft as it fails to commit the five declared nuclear powers, the UK, China, France, Russia and the US, to a firm timetable for eliminating their nuclear weapons.

The draft text says the pact will become law only when ratified by 44 states possessing nuclear power reactors, which would include India.

WORLD TRADE NEWS DIGEST

Saudi order for Eurocopter

Saudi Arabia has placed an order with the Franco-German Eurocopter joint venture for 12 Cougar Mark-2 search and rescue helicopters. The $800m helicopter order was placed just a month after a visit to the kingdom by French president Jacques Chirac. Eurocopter won the order against competition from US companies Sikorsky and McDonnell Douglas Corporation. Aerospatiale of France holds a 70% stake in Eurocopter, with Daimler Benz Aerospace of Germany the remaining 30 per cent.

Raytheon Corporation of the US has won a US army contract valued at $119m to upgrade Saudi Arabia's air defence system. The company's electronic system unit will manufacture computers and displays for the Saudi Hawk missile system. Contracts for technical training and support are expected to increase the value of the contract to around $195m. *Sean Evers, Cairo*

Dutch-Thai retail venture

Ahold, the Dutch-based food retailer, has begun a supermarket joint venture with Thailand's biggest retailer, the conglomerate Central Group. The Dutch group will pay $100m for a 49 per cent stake in the Thai joint venture company, making this Ahold's biggest investment so far in its drive into Asia. Central Group, owned by the Chirathivat family, will hold a 51 per cent stake and will transfer to the company its 30 supermarkets with sales of $500m.

Ahold said the company would build "a high number" of new supermarkets in Thailand soon. The joint venture would probably invest its cash flow of about $15m this year in expansion given Ahold's corporate policy of reinvesting all of cash-flow. Ahold saw "huge growth perspective" in Thailand, as only about 15 per cent of Thai food purchases are made in supermarkets, compared with 70 per cent in the Netherlands.

Ms Wallaya Chirathivat, who leads Central Group's supermarket division, will become chief executive officer of the new joint company. The company's stores will trade as TOPS, a name taken from one of Ahold's US supermarket chains. *Simon Kuper, Amsterdam*

Anzoil secures gas finance

Anzoil, the Australian oil and gas exploration company, said yesterday it had raised A$25m (US$19.5m) through a private share placement aimed at financing the development of a promising gas field in northern Vietnam.

The find, in the Hanoi Basin 90km south-east of the capital, is estimated to contain 1,100bn cubic feet of gas, which Anzoil has said could be used to fire power plants. Extra power generation capacity is needed in the north of the country to meet demand from industry in Hanoi, the surrounding Red River delta and the port city of Haiphong.

Anzoil said the money raised would be used for the appraisal of the discovery, in the D14 well, the first of two that it has drilled in the area. Drilling of a third well, which contains estimated recoverable reserves of 180m barrels of oil, would start in 10 days' time, Anzoil said. The company said that if the gas reserves could be proven, some of the gas could be sold to an idle 35MW power plant at Tien Hai, providing immediate cash flow.

It would also allow the company to commit to selling gas to "a major 300-600MW power plant" which it did not name. *Jeremy Grant, Hanoi*

Not very common, not much market

Matthew Kaminski and **Sander Thoenes** on the uneven progress of an ex-Soviet customs union

The closed Soviet economy was a common market in the extreme. Its break-up into 15 separate parts took a heavy toll, and attempts by some of the now independent countries to glue the economic bits back together are proving difficult.

The favoured means is a customs union, founded last year by Russia, Kazakhstan and Belarus and joined in March this year by Kyrgyzstan, under which member countries pledge to phase out import and export barriers, co-ordinate economic policy and work toward a common currency.

Others are considering joining. Their goal: to reverse the decline in inter-republic trade, which fell 26 per cent last year.

Central European and Baltic countries have managed to shift trade winds, which has produced export-led growth. But the ex-USSR countries have been less successful on both counts. The customs union suggests some governments might be increasingly eager to soften the blow on their closely knit economies using other means.

Kazakhstan, the oil-rich central Asian state, pushed hardest for the deal. Trade with Russia has grown 50 per cent since the union was formed.

Its staple exports – oil, gas, grain and metals, which in theory are to get better access – are four times Russian imports.

Belarus is another enthusiast. There, large industrial giants see their future in reclaiming supply and sale markets in Russia.

Already there have been problems. Mr Aleksander Lukashenko, the president of Belarus, last month attacked Russia for not honouring its obligations under the customs union; he claimed it never wrote off his country's gas debts, even though Moscow's troops are not charged for being based in his country.

While Belarus wants a hand-out, Kazakhstan appears to be playing the political game.

Its president, Mr Nursultan Nazarbayev, earlier this year parlayed his warm support for Mr Boris Yeltsin, the Russian president, and the union into Russian agreement on a coveted new oil pipeline that could unlock Kazakhstan's rich reserves.

There have also been a number of unilateral moves that appear to fly in the face of any common economic purpose.

Recently Kazakhstan simply slashed high common import duties on cars, furniture, and machinery – all industries that Russia wants to protect – when Moscow refused to act.

As a result, a wide range of goods are excluded from duty free trade. And no reliable mechanism has been devised to transfer customs receipts among the members, whose bureaucracies are already notoriously inefficient.

"Life has shown that it's not so easy to balance the interests of all these countries," said Mr Rustem Kuvatov, deputy chairman of the Kazakh customs committee.

Other republics remain suspicious of Russian intentions.

When the Baltic countries of Latvia, Lithuania and Estonia refused to join the Soviet successor organisation, the Commonwealth of Independent States, the trade shock was severe, but they recovered the quickest. All three, and in particular Estonia, quickly found new markets in neighbouring Nordic and central European countries after implementing market reforms.

Though it has been less successful in re-orienting trade, Ukraine does not see a solution in a customs union. Officials say that it only turns poorer members into raw material suppliers for Russia and guarantees markets for protected Russian manufactured goods.

Mr Anton Buteiko, Ukraine's deputy foreign minister, said his country wanted closer economic ties with Russia.

But he thought it should start with the basics. Even the free trade agreement between Russia and Ukraine – the two largest ex-Soviet countries – "unfortunately does not work", Mr Buteiko said, "because our big neighbour excludes 168 products" from duty free trade.

The various strains are making the customs union nearly impossible to implement. Even the increase in trade has been attributed to growing demand in Russia and generally an economic upturn rather than to the union.

Some western economists think that might be just as well. The central Asian countries, for example, are noticeably poorer than Russia and have a different economic profile.

Joining a Russian-dominated trade block could stunt growth by forcing them to depend on Russian manufactured goods and limiting access to new markets, they say.

Uzbekistan is a case in point. Over the past few months, the land-locked republic has been under strong pressure from its neighbours to sign up. Diplomats in Tashkent, its capital, expect it to join the customs union before the end of next year.

In a recent study entitled Foreign Trade in the Transition, the World Bank argued that if Uzbekistan were to join the union it would hurt economic reform. It said the country's now negligible trade with the rich industrialised countries would increase five-fold once its high tariffs were reduced and the economy was liberalised.

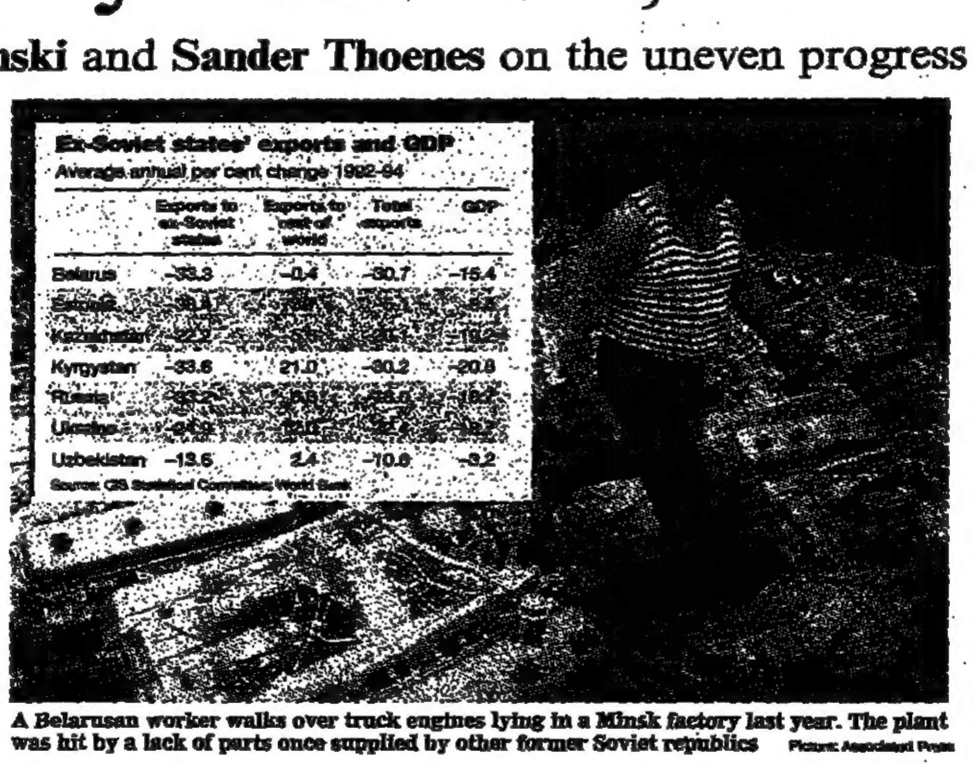
The countries on Russia's rim also have the farthest to go to find new markets. Russia already has a trade surplus – fed by energy exports to the west – and depends less and less on the ex-Soviet markets. The share of Russian trade with CIS members fell to 14 per cent last year, down from about 50 per cent four years ago, according to ING Barings, the Dutch-owned investment bank.

Not surprisingly, some neighbours visibly grimaced when a Russian minister urged the other ex-USSR states recently "to resist the expansion of foreign producers" from outside the CIS. That also helps explain the cool reception for a new common market again created on Russian terms.

Ex-Soviet states' exports and GDP
Average annual per cent change 1992-94

	Exports to ex-Soviet states	Exports to rest of world	Total exports	GDP
Belarus	-33.3	-0.4	-30.7	-15.4
Estonia	[illegible]	[illegible]	[illegible]	[illegible]
Kazakhstan	-22.2	[illegible]	[illegible]	[illegible]
Kyrgyzstan	-33.6	21.0	-30.2	-20.8
Russia	[illegible]	[illegible]	[illegible]	[illegible]
Ukraine	[illegible]	[illegible]	[illegible]	[illegible]
Uzbekistan	-13.6	2.4	-10.8	-3.2

Source: CIS Statistical Committee; World Bank



A Belarusan worker walks over truck engines lying in a Minsk factory last year. The plant was hit by a lack of parts once supplied by other former Soviet republics Picture: Associated Press

Malaysian companies to set up Tartar SE

Two Malaysian companies connected to the royal family signed agreements yesterday to establish a stock exchange in the Russian republic of Tartarstan, writes James Kynge in Kuala Lumpur.

The move was a new departure for Malaysia's corporate community, which has invested in the newly-independent states of former Soviet Central Asia but has had no high-profile contacts with Tartarstan, a largely autonomous central Russian republic.

The two companies, STI and Petra Khyra Investments, agreed to set up the republic's stock exchange along the lines of Kuala Lumpur's bourse, the third biggest in Asia after Tokyo and Hong Kong. Tartarstan, in common with other parts of Russia, is undergoing a privatisation programme and needs a viable stock exchange.

The eldest son of Malaysian King Ja'afar Abdul Rahman, Prince Naquiyuddin, witnessed the signing ceremony between the companies and representatives of Tartarstan, including Mr Ravil Mouratov, the first deputy prime minister and Mr Rashid Akhounov, the foreign economic relations minister.

Prince Naquiyuddin's brother Imran is executive chairman of STI.

The two companies also signed agreements to take part in other projects including property development and the privatisation of state-owned concerns including a helicopter manufacturer, an optical plant, a telecommunications firm, a water supply system and an insurance firm. It was likely that the Malaysian companies may take an equity stake in some of the privatised concerns.

"We've already started work on the stock exchange and the optical plant and water projects," said Mr Vinod Shekar, STI's chief executive.

STI and Petra Khyra plan to hire international expertise to help carry out the various projects, for which neither company has obviously relevant experience. STI is best known in Malaysia for assembling a sports car, Bufori, and Petra Khyra was established recently and has little track record.

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LEGAL DEFINITIONS
pyramid selling *n.* 1 time-share operation run by ancient Egyptians (usu. *1 week for 5,000 years*) 2 a system of selling goods in which agency rights are sold on to an increasing number of distributors. see ROWE & MAW: asap (*ph* 0171-248 4282)
Rowe & Maw
LAWYERS FOR BUSINESS

IN BRIEF

General Mills buys Ralcorp brands

The breakfast cereal war in the US intensified when Ralcorp, the biggest US maker of private label cereals, announced the sale of its branded cereal business to the rival General Mills group for between $330m and $360m in General Mills stock. General Mills said it would also assume between $210m and $240m in Ralcorp debt, putting a total value on the deal of $570m. Page 12

Higher costs blamed for Fairfax decline
John Fairfax, the Australian newspaper publisher which is the focus of bid speculation, announced a near-30 per cent fall in annual profits after tax but before abnormals to A$101.5m (US$79m). It blamed the underlying decline on higher newsprint costs and an increase in depreciation and interest charges. Page 12

Nintendo moves to calm profit fears
Japan's Nintendo moved to calm market fears that its performance has deteriorated sharply due to poor sales of its latest video games machine. It said sales in the current year would be slightly higher than its earlier forecast at Y340bn ($3.14bn) and recurring profits – before extraordinary items and tax – would be Y85bn, as previously predicted. Page 12

Merita climbs 63% on disposals
Merita, the dominant banking group in Finland, said profits rose 63 per cent in the first half of 1996 to FM681m ($154m), although it attributed much of the increase to non-recurring items such as property disposals. Page 13

Diabetes unit lifts Novo Nordisk
A strong performance in its core diabetes division helped lift interim pre-tax profits at Novo Nordisk, the Danish pharmaceutical company, 19 per cent from DKr1.03bn to DKr1.23bn ($215.2m). Page 13

Autoliv aims for 20% of airbag market
Autoliv, the Swedish automotive accessories group, said it expected to increase its share of the world's car airbag market to nearly 20 per cent by 2000 from the current 12-13 per cent. First-half pre-tax profits rose 17 per cent to SKr618m ($93m). Page 13

Prospects rise of fresh UK pharmacy bid
The likelihood of a fresh bid for Lloyds Chemists, the UK pharmacy group, increased when the two suitors, Germany's Gehe and UniChem of the UK, indicated they were poised to fulfil the government's conditions for acquiring it. Page 14

World platinum industry 'under siege'
The platinum industry was under siege, its future in the hands of Russia, with its ability to sell big quantities of platinum and palladium from its stocks, said Mr Michael McMahon, chairman of Impala Platinum, the South African group. Page 18

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lahmeyer	550	+	5
Lufthansa	210.5	+	3.5
MAN	380.5	+	5.5
Falls			
Linde	937	–	4
Rheinelektra	1282	–	16
Wella	880	–	9.5
NEW YORK ($)			
Rises			
Caliber Sys	22⅝	+	2¼
Insignia Fin	24¼	+	2
Ralcorp	22	+	2
Sports Author	21¼	+	2¼
Falls			
Nova	30¼	–	1⅞
Nthwest Care	10	–	1⅜
LONDON (Pence)			
Rises			
Monarch Res	94	+	8
Oriel	139	+	11
Pilco A	265	+	14
Schroders NV	1040	+	40
Falls			
Jacobs Hldgs	47	–	5½
Nice Focus	700	–	30
TORONTO (C$)			
Rises			
Abacan RSC	6.65	+	0.75
Foremost Inds	7.35	+	0.85
Spectral Diag	9.35	+	0.85
Spectrum Sig	9.00	+	1.00
Falls			
Acme Metals	19.00	–	1.45
Schneider Cp	11.05	–	0.95
PARIS (FFr)			
Rises			
Air Liquide	875	+	19
Taittinger	1885	+	80
Falls			
Chargeurs	186	–	7
Gen des Eaux	500	–	17
Imetal	667	–	13
Pathe	1175	–	25
TOKYO (Yen)			
Rises			
Central Fin	440	+	19
Daido Steel	504	+	14
Komatsu	968	+	24
Mitsumi El	1770	+	80
Showa El Wire	586	+	27
Falls			
Hagoshiya	840	–	55
HONG KONG (HK$)			
Rises			
China Aero	1.46	+	0.12
High Fashion	1.05	+	0.12
Peace Hill	3.00	+	0.225
Falls			
Dongfang El	2.20	–	0.125
Joyce Boutique	2.05	–	0.15
Pudong Dev	1.38	–	0.14
BANGKOK (Baht)			
Rises			
Chiang Mai	28.25	+	2.25
New City	18.50	+	1.50
Thaikem Est	30.50	+	2.50
Falls			
Central Pat	193.00	–	7.00
Hua Thai Mfr	51.00	–	5.00
Shangphap	143.00	–	15.00

New York & Toronto prices at 12.30

Japanese bank fined $1m in US

LTCB unit told to improve management after irregularities in its reporting of transactions

By Gerard Baker in Tokyo

A US subsidiary of the Long-Term Credit Bank of Japan has been fined $1m by US authorities and ordered to improve its internal management. The New York State Banking Department issued the orders against LTCB Trust after the discovery of irregularities in the official reporting of the company's transactions.

The incident will raise further questions about the quality of management at Japanese banks. It follows the Daiwa Bank affair last year, when the company pleaded guilty to fraud in the cover-up of $1.1bn in bond trading losses in New York and was subsequently expelled from the US and fined $340m.

Though the LTCB case is much less serious than the Daiwa affair, not least because LTCB's local management, unlike Daiwa's, immediately reported the problem, it again reveals management shortcomings at the overseas branches and subsidiaries of Japanese banks.

Only last week, the Bank of Japan revealed it had ordered several leading banks to improve the quality of their management systems after an investigation of the banks' New York offices.

The LTCB Trust irregularities related to the company's securities lending business in New York. LTCB terminated these operations in December last year, and the US authorities' order forbids the company to re-enter the business without the permission of the New York banking regulator.

LTCB, which is one of Japan's leading banks, revealed in April that an employee at LTCB Trust had breached internal rules limiting the scope of the company's trading. LTCB Trust only permitted its traders to purchase outright securities issued directly by the US government or certain other categories of notes. Other securities were to be traded only on a repurchase basis

Contrary to the rules, the trader bought outright in September 1994 notes issued by the Federal National Mortgage Association and a leading Japanese bank, but booked the transactions as repurchase agreements. As a result of the misreporting of the trades, a false report was filed to US regulators.

LTCB said it discovered the internal reporting error early in 1995 and took action to improve its control procedures, but said it only became aware of the false report to the US regulators in February this year. The New York State Banking Department emphasised that LTCB notified the authorities immediately on discovering the error, and co-operated throughout with the department's investigation.

Head of Volvo US truck unit replaced

By Greg McIvor in Stockholm and Haig Simonian in London

Volvo, the Swedish vehicles group, said yesterday it was replacing the head and chief financial officer of its US truck subsidiary in response to plunging sales in North America.

The group said Mr Per Lindquist, president and chief executive of Volvo GM Heavy Truck, was leaving his post with immediate effect. Mr Lars-Ake Pettersson, chief financial officer, had resigned and a new sales director was being appointed.

"We are not satisfied with the situation here in North America. Sales are not as good as we want them to be, especially in the last six months," Volvo said.

Mr Karl-Erling Trogen, president of Volvo's truck division and a former head of its North American truck operations, is to assume Mr Lindquist's position until a successor is named. Mr Lindquist, who took over from Mr Trogen in 1994, will be given other responsibilities in the trucks division.

Volvo's North American sales fell 31 per cent in the first six months and the company said it would implement a more aggressive marketing strategy to tackle the slump. It said it would rationalise the US heavy trucks unit, a joint venture with General Motors, of which the Swedish group owns 87 per cent. A finance company would also be created to offer broader services for buyers.

Volvo indicated its US truck operations had incurred a loss in the six months to June due to "very tough market conditions". The market was expected to contract from a record 220,000 units in 1995 to 175,000 units this year, it said. Last year, Volvo sold 27,000 heavy trucks in North America; this year it predicts 21,000-22,000. Worryingly for Volvo, its regional market share has dipped from 11.5 per cent in 1995 to 9.5 per cent.

Despite the drop in North American demand, Volvo has maintained its commitment to a $500m investment programme to modernise its US operations through new products and a restructuring of its North Carolina plant.

Volvo hopes to arrest its decline with the launch of its FH heavy truck in the US later this year. The FH, introduced successfully in Europe in 1993, has been remodelled for the North American market.

Mr Jürgen Pieper, motor industry analyst at Deutsche Morgan Grenfell in Frankfurt, suggested Volvo's problems in North America reflected a general cyclical downswing after three buoyant years. "The [management reshuffle] looks a little like a panic reaction. It is not likely to affect Volvo's prospects in the medium term," he said.

Volvo's problems reflect the plight of all three European truckmakers in the US. Together, Renault, Volvo and Mercedes-Benz command about 36 per cent of the US medium and heavy truck market and about 50 per cent of the market for Class 8 vehicles over 15 tonnes.

In spite of their substantial presence, all three have had difficulties. Renault has suffered chronic losses at Mack Trucks, which has only recently started making operating profits.

Even Mercedes-Benz, the most successful of the three, had troubles with Freightliner at the outset.

German chemicals group expects strong growth for year

Hoechst profits surge midway

By Wolfgang Münchau in Frankfurt

Jürgen Dormann: yesterday's results are seen as confirming the effectiveness of his strategy

Hoechst, the German chemical and pharmaceutical company, is expecting annual operating profits to increase by nearly a third following the start of a recovery from a steep downturn in domestic demand.

The company yesterday reported a 103 per cent increase in pre-tax profits from DM2.13bn to DM4.32bn ($2.9bn) for the first six months of the year, a figure inflated by disposals. Stripped of the financial effects, Hoechst said operating profits increased by an underlying 18 per cent.

The result underlines the continued strength of German chemicals groups and follows similarly strong figures from Bayer and Henkel. The beginning of the recovery in the domestic market is seen as a good sign for the medium-term prospects of the German economy, given the chemical industry's traditional role as a bellwether sector.

Mr Klaus Schmieder, finance director, said yesterday he expected 1996 operating profits to improve 30 per cent, a figure near the top of expectations. The group's optimism is based in part on a gradual recovery in its German business, which suffered a 23 per cent fall in turnover in the first half. About half of this decline was accounted for by disposals and the rest by a downturn in business and prices.

However, Mr Schmieder said the German business had picked up in the second quarter, and the recovery had held up in July. The strong result confirms the effectiveness of the strategy adopted by Mr Jürgen Dormann, chairman.

They are also partly a reflection of a successful integration of Marion Merrell Dow, the US pharmaceutical group which Hoechst bought last year. Hoechst Marion Roussel (HMR), the group's merged pharmaceutical division, has achieved operating profits of DM1.04bn with an operating margin of 16 per cent, only 4 percentage points less than the financial goal Hoechst had set for 1997-98.

In the six-month period, Hoechst's turnover declined marginally from DM26.3bn to DM26.1bn. The European proportion of total sales fell from 57 per cent to 50 per cent, while American sales went up proportionally.

Mr Peter Houghton, chemicals analyst at J. P. Morgan, said: "This is a good set of numbers. If you think about it: when the company started to restructure, its ratio of equity to total capital was 34 per cent. Since then it made a large pharmaceutical acquisition, and it got rid of a number of low-performing industrial businesses. And by the end, the equity ratio will again be at the same level. This is a case of management adding value."

Mr Schmieder confirmed that Hoechst was planning to retain a majority stake in HMR, which is expected to be floated in the autumn of next year.

The industrial business, which is made up mainly of chemicals, is also likely to assume a separate legal structure by 2000. Mr Schmieder said a listing of the industrial business would be "optional" and depended on market conditions at the time.

Lex, Page 10

BICC slips into the red after shake-up costs

By Patrick Harverson in London

Alan Jones: group's long-term recovery on course

BICC, the UK cables and construction group, slipped into the red in the first half following restructuring of its German operations, property revaluations and write-downs.

However, Mr Alan Jones, the chief executive hired last year to turn the struggling group round, said BICC's long-term recovery was on course. "We're getting somewhere now and we've got something to show for it," he said, referring to the improvement in profits from the core cables business.

Analysts said they were concerned about the downward pressure on cables prices and margins and continued stagnation in the construction market, but said BICC was heading in the right direction.

A pre-tax loss of £2m, ($3.1m), compared with a profit of £60m, was recorded in the six months to June 29 after the group swallowed £65m of exceptional charges.

Rationalisation at KWO, BICC's German cable manufacturer, which cut its workforce by another 180 jobs, accounted for £25m of the charges.

A £35m reduction in the book value of the group's interest in the Spitalfields development in east London and £5m of other property provisions made up the rest. Excluding the exceptional charges, profits were slightly higher at £63m (£60m) on turnover of £2.29bn (£2.14bn).

Although the performance of the non-North American cables business was the highlight of the half – profits climbed from £37m to £51m – Mr Jones said most of the improvement stemmed from rationalisation measures taken last year.

Otherwise, underlying conditions in the cables market remained difficult.

However, the group was upbeat about the optical fibre, optical cable and data cables business, where BICC continued to prosper, and longer-term prospects for new overseas markets, especially Asia-Pacific.

The Balfour Beatty contracting business continued to struggle, dogged by the weak UK construction market and bad debts in North America.

However, BICC was more positive about overseas contracting. Yesterday, it revealed the group was part of a consortium that had signed a letter of intent with the Thai government to construct the first phase of an integrated transport system in Bangkok.

Cellular fraud hits Globe Telecom

By Edward Luce in Manila

Globe Telecom, the Philippines' third largest operator, yesterday said it had abandoned hopes of breaking even this year for the first time in the wake of heavy losses from widespread fraud on its mobile phone network.

It said the fraud was perpetrated by professional syndicates who registered under the names of up to 23,000 wealthy individuals and ran up bills of 441m pesos ($16.8m) in the first six months of 1996 alone.

Globe's shares fell 1.50 pesos to 15 pesos.

The group, which is 40 per cent owned by Singapore Telecom and 34 per cent by Ayala Corp, the country's largest diversified holding company, said net losses for the first half of 1996, including fraud, were 505m pesos.

The announcement follows Globe's decision to downgrade its target of 100,000 cellular subscribers by the end of the year to 65,000. It yesterday removed 23,000 non-existent subscribers from its Handyphone service, reducing the tally to 43,000 – the same as the number recorded at the start of the year.

Mr Filemon Berba, president, attributed the fraud to lax security but said some of the 23,000 cancelled subscribers could still prove legitimate. "It is still possible that there is a certain amount we can recover. That would be a bonus," he said.

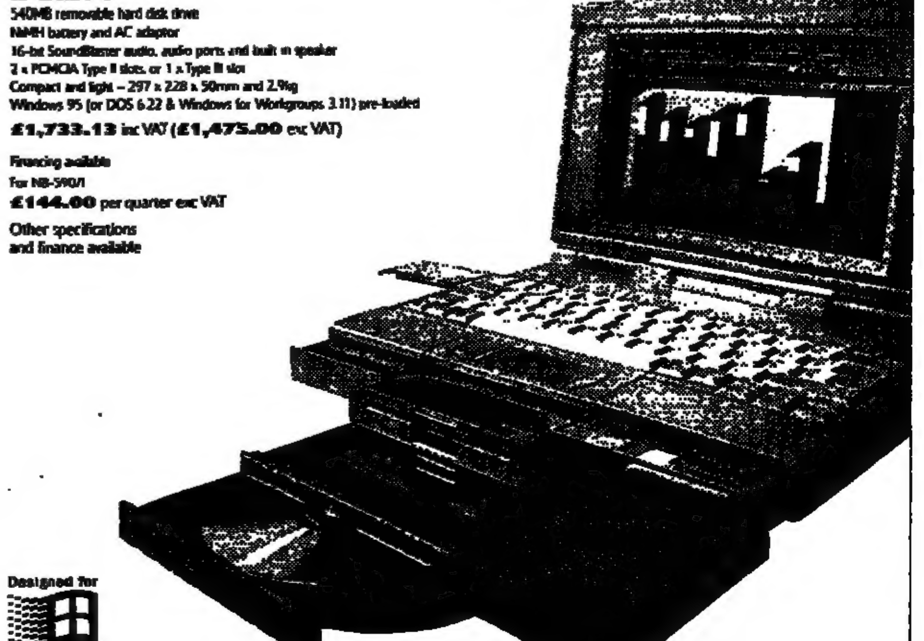
Analysts said Globe's rush to raise its share of the Philippines' highly competitive (and recently liberalised) mobile and fixed line telephone market had led to basic errors.

Mr Alex Pomento, chief researcher at ING Barings in Manila, said: "If you are too dependent on a computer system which has a flaw in its program then things are bound to go wrong. It's also what happens when you are in too much of a scramble to gain market share."

Globe said it would introduce safeguards to prevent a repetition.

Unlike its main competitors, Smart Communications and Piltel, which are expected to have more than 200,000 subscribers each by December, Globe has not limited new subscribers' mobile phone airtime. This enabled ghost subscribers to maximise fraud.

CLASS OF ITS OWN



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Higher costs blamed for decline at Fairfax

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publisher which is the focus of bid speculation, yesterday announced a near-30 per cent fall in profits after tax but before abnormals, to A$101.5m (US$79m) for the year to end-June. In the previous year it made A$144.6m.

After abnormals, the slide was even more marked, with the group reporting earnings of A$87.5m, compared with last time's A$147.3m.

The main abnormal items included A$15m in redundancy costs and A$6.9m in executive severance costs.

The group's top management has been in flux over the past year, with Mr Stephen Mulholland stepping down as chief executive in September; his successor, Mr Bob Mansfield, announcing his departure in April; and other senior executives leaving in the interim.

Fairfax blamed the underlying profits decline on higher newsprint costs, as well as an increase in depreciation and interest charges. The group had already warned that full-year profits would be lower – although by a smaller percentage. In February, the company suggested that profits could be down 20 per cent on the 1994-95 figure.

Fairfax said that newsprint prices had risen by an average 25 per cent and coated paper prices by 40 per cent over the year. This added A$35m to the group's paper bill, and contributed to a 14.8 per cent rise in total operating costs, at A$768m.

A heavy capital expenditure programme, now completed, also meant that the depreciation charge increased from A$26.2m to A$41.5m, while interest charges were A$44m compared with A$36.6m.

The group's revenues, meanwhile, increased by 6 per cent, to A$1bn. This was ascribed to increased advertising rates and the acquisition of the Australian Geographic business. Fairfax said that circulation of its main publications improved, but that most saw lower advertising volumes.

It added that trading conditions had remained difficult in the most recent half-year, although the decline in display advertising had steadied and "improving trends are now evident".

"Aggressive competition within the banking and communications sector has been a particularly positive influence", it noted, referring to the spate of advertisements generated by Australia's mortgage price war and the battle for phone customers.

Fairfax's largest shareholder is Mr Conrad Black, the Canadian media proprietor. He has a near-25 per cent interest but cannot raise this further under Australia's foreign ownership rules.

Mr Kerry Packer, the Australian businessman, has a further 15 per cent – also capped by cross-media ownership restrictions – while Mr Rupert Murdoch has a smaller stake, below 5 per cent.

The new conservative federal government has promised to hold an inquiry into ownership restrictions in the media sector, but this has yet to be set up.

Conrad Black: current rules prevent him lifting his stake

Nintendo moves to calm market fears over profit

By Michiyo Nakamoto in Tokyo

Nintendo yesterday moved to calm stock market fears that its business performance has deteriorated sharply due to the poor performance of its latest video games machine.

The Japanese group, the leading maker of video games, made an unexpected announcement of earnings forecasts for the current business year to March 31, saying that sales would be slightly higher than previously forecast and that recurring profits – before extraordinary items and tax – would be unchanged from the earlier forecast.

Mr Hiroshi Imanishi, a Nintendo executive, said that sales in the year would be Y340bn ($3.14bn), compared with the Y335bn forecast in May, while recurring profits would be Y85bn.

In the first half to September, Nintendo expects sales to grow to Y130bn, compared with an earlier forecast of Y125bn, and recurring profits to be unchanged at Y27bn.

The announcement from Nintendo headquarters in Kyoto, which is closed for the week-long *obon* summer holiday, came in response to heavy selling of the company's shares on both the Tokyo and Osaka stock exchanges.

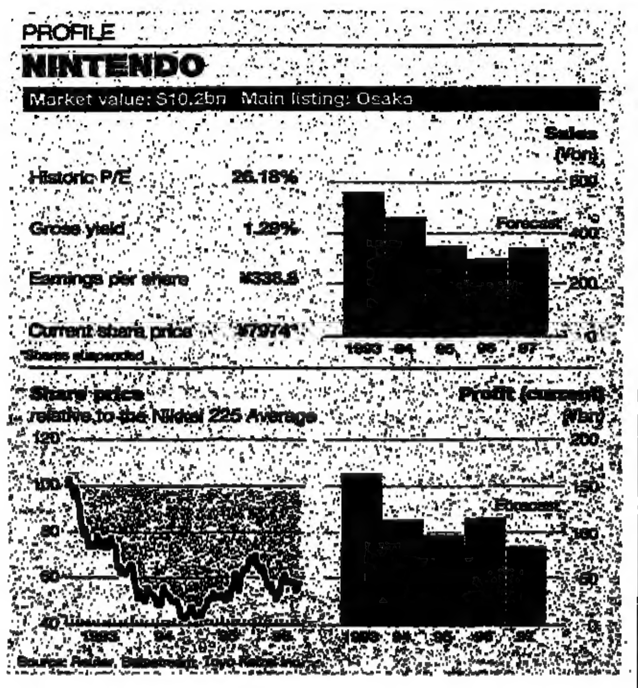
This followed a newspaper report that Nintendo's recurring profits were likely to plunge 53 per cent in the year, from Y117bn previously to Y55bn.

Both the Tokyo and Osaka exchanges suspended trading in Nintendo shares pending clarification.

The article in the Nihon Keizai Shimbun, Japan's national economic daily, appeared to confirm fears that Nintendo's latest video games machine, the Nintendo 64, has not been as successful as expected.

The machine, which uses the latest 64-bit technology, has been widely acclaimed, although it had disappointed Nintendo enthusiasts even before it was launched in July – more than six months after the initially scheduled launch last year.

Furthermore, once the machine appeared on the market, there were only three games software titles available.



Nintendo disputed the newspaper article's claim that inventories were building up at retailers, and emphasised that it was on track to ship 5m units in Japan and overseas in the year to the end of March.

By the end of December, 14 more titles under the Nintendo name will be available to play on the Nintendo 64, while independent licensees are also expected to bring out further software titles, the company said.

Nintendo has already shipped 1m units of the games machine, which will be launched in the US at the end of September, it said. Inventories, meanwhile, were at an appropriate level of about 10 per cent.

In spite of the company's confidence, some analysts are forecasting a weaker performance.

Mr Joseph Osha, industry analyst at Merrill Lynch in Tokyo, said in an earlier report that recurring profits were likely to be Y67bn, rather than the Y85bn forecast by the company, owing to the poor performance of its 16-bit and 64-bit machines.

General Mills acquires Ralcorp cereals business

By Richard Tomkins in New York

The breakfast cereal war in the US intensified yesterday when Ralcorp, the biggest US maker of private label cereals, announced the sale of its branded cereal business to the rival General Mills group for about $345m.

It said it was selling its Chex, Cookie Crisp and Almond Delight brands to General Mills for between $330m and $360m in General Mills stock. General Mills said it would also assume between $210m and $240m in Ralcorp debt, putting a total value on the deal of $570m.

The move will bolster General Mills's position as the second-biggest US maker of branded cereals, after Kellogg, while leaving Ralcorp to concentrate on private label cereals and its Beech-Nut baby food business.

Ralcorp's decision to sell its branded cereals reflects the severe competitive pressures that have built up in the US breakfast cereal industry over the past few months amid a price war between the market leaders – Kellogg, General Mills, Post, and Quaker Oats.

The price war was triggered in April when Post, a division of Philip Morris, announced it was cutting prices of its Post and Nabisco brands by an average of 20 per cent.

Ralcorp has been badly squeezed by the price war because the competition has narrowed the differential between the previously very high prices of branded breakfast cereals and Ralcorp's private label products.

In June, Ralcorp announced heavy job losses as part of a cost-cutting drive. In July, the company announced it had reached agreement to sell its ski resort division to Vail Resorts for $310m.

Ralcorp said yesterday the sale of the ski resorts and branded cereal operations would leave it virtually debt free and enable it to focus on its remaining cereal and baby food operations.

"We expect growth in the cereal category to improve and believe there will be significant opportunities to improve the value of our remaining cereal business over time," Mr Richard Pearce, Ralcorp's co-chief executive, said.

This announcement appears as a matter of record only.

The Republic of Argentina

NLG 250,000,000

7.625% Fixed Rate Notes due 1999

Issued under the

U.S. $8,000,000,000

Euro Medium-Term Note Programme

ABN AMRO Hoare Govett

ING Barings

Deutsche Morgan Grenfell — Rabobank Nederland

SBC Warburg (A DIVISION OF SWISS BANK CORPORATION)

Bank Brussel Lambert N.V. — Bank Labouchere N.V.

Caisse des Dépôts et Consignations — Commerzbank Aktiengesellschaft

CS First Boston — DG BANK (Deutsche Genossenschaftsbank)

Dresdner Bank - Kleinwort Benson — Fortis Investments

van der Hoop Effektenbank N.V. — HSBC Markets

Kredietbank International Group — MeesPierson N.V.

Merrill Lynch International — NIBStrating Securities N.V.

Paribas Capital Markets — Salomon Brothers International Limited

UBS Limited

ABN·AMRO HOARE GOVETT

July, 1996

Thai power deal nears completion

By Ted Bardacke in Bangkok

A power purchase agreement between the Electricity Generating Authority of Thailand (Egat) and a private consortium consisting of Thai Oil, Unocal and Westinghouse should be ready for signature within the next four weeks, a senior Thai energy official said.

The agreement, to provide 700MW from a gas-fired power plant located on Thailand's Eastern Seaboard industrial zone, will be the first in Egat's ambitious plan to source more than 5,000MW from independent power producers by 2003.

An agreement with the Thai Oil group will quickly be followed by another with the Tri Energy group, a consortium which includes Thailand's Banpu, Texaco and Black & Veatch. This second deal will see Egat buying 600MW from a gas-fired plant in Ratchaburi, said Mr Piyasvasti Amranand, secretary-general of the National Energy Policy Council.

"The only remaining issue is that of securing a long-term natural gas supply," Mr Piyasvasti said. But recent deals by the Petroleum Authority of Thailand, the only legal supplier of natural gas in the country, to increase its wholesale natural gas purchases from concessionaires operating in the Gulf of Thailand and to source liquefied natural gas from Oman should resolve the matter, he said.

The Tri Energy deal was taking a little longer to negotiate because the private consortium was more demanding on the conditions of a buy-out clause in the contract in the event of a government default or other cases of *force majeure*.

Thai Oil and Tri Energy were the top consortiums shortlisted by Egat in the first phase of the state-owned company's independent power producer programme. Other bidders, which were ranked lower on the basis of price, fuel and other considerations, were to be given the chance to negotiate an agreement with Egat only if talks with the top two bidders failed.

Nevertheless, it is possible that either Bangkok Energy System, a consortium led by Air Products & Chemical and Ch. Karnchang, or TDF Power, consisting of Loxley, Hemaraj Land, Tractabel and Bechtel, could be still be called in to negotiate a power purchase agreement.

Both consortiums submitted plans for smaller gas-fired power plants, and Mr Piyasvasti confirmed that Egat was considering purchasing an additional 300MW in the first phase if enough gas was available.

NEWS DIGEST

Labour disputes hit Korean car groups

Labour disputes in June caused South Korea's two biggest carmakers to report a decline in earnings for the first half of 1996. Hyundai Motor, the country's largest car company, registered a 42 per cent fall in net profits to Won51.6bn ($63.2m), although sales grew by 10 per cent to Won5,556bn. A strike at an important supplier of components supplier, Mando Machinery, caused Hyundai to halt production in June. In addition, earnings in the first half were affected as Hyundai wrote off Won140bn in extraordinary costs for the closure of its mothballed car plant in Quebec, Canada. Sales benefited in the first half as Hyundai introduced three new models, including an upgraded version of its popular Sonata medium-sized saloon, a new luxury car, Dynasty, and a sports car, the Tiburon.

Kia Motors, Korea's second-largest car company, reported a first-half loss of Won10.3bn against a loss of Won12.3bn a year ago. It blamed the poor performance on a two-week labour dispute at its plants in June. Turnover grew by 20 per cent to Won3,292bn following initial favourable reaction to the group's new Elan sports car and higher sales of its medium-sized Credos saloon that resulted from generous consumer financing arrangements. *John Burton, Seoul*

Posco posts 16% advance

South Korea's Pohang Iron and Steel (Posco), the world's second-biggest steel maker, reported a 16 per cent rise in net profits to Won385bn ($471m) for the first half of 1996, while sales increased by 3 per cent to Won4,174bn.

The improved performance reflected steady domestic demand and higher prices for hot and cold-rolled steel in the Korean market, which accounts for three-quarters of Posco's sales. Analysts said that Posco is also benefiting from a lower interest burden due to a strong cash flow.

The results exceeded earlier market predictions that earnings would fall slightly due to a 15 per cent cut in the export price of steel this year. This reflected weaker demand in China and Japan.

● Inchon Iron & Steel, the steel unit of the Hyundai group, reported a 49 per cent fall in net earnings to Won10.1bn, because increased competition in stainless steel, its main sector, resulted in substantial price cuts. Profits have also been affected by capital costs for capacity expansion. Inchon recently announced that it planned to build Korea's second-biggest integrated steel mill to compete against Posco by 2004. *John Burton*

Molson edges ahead in term

Molson, the Canadian brewing, hardware retailing and entertainment group, posted slightly higher earnings for the first quarter ended June 30, though its share of the Canadian beer market shrank. Net profit was C$20.8m (US$15.1m), or 36 cents a share, up from C$19.9m, or 34 cents, a year earlier, on revenues little changed at C$400m.

Molson last month reported a C$306m loss for the year ended March 31, including special charges and write-downs following disposal of its Diversey special chemicals business. Only one small metal finishing unit remains to be sold. Molson reduced debt by nearly C$1bn and at June 30 had net cash of C$410m. *Robert Gibbens, Montreal*

Korean Air in loss at midway

Korean Air, South Korea's largest airline, reported a loss of Won254bn ($311m) for the first half of 1996 against a net profit of Won77.5bn a year ago, because of higher depreciation charges and foreign exchange losses. However, increased overseas travel by Koreans resulted in an 8 per cent growth in sales to Won1,705bn.

Analysts said that the loss was primarily the result of increased depreciation charges stemming from the first revaluation of Korean Air assets in 13 years. The carrier already has high depreciation costs because of an aggressive write-off of its fleet over a 10-year period instead of the 20 years normally used by other international airlines.

Korean Air also suffered from valuation losses on its mainly US dollar-denominated debt as the won weakened against the US currency this year. *John Burton*

Mayne to invest in healthcare

Mayne Nickless, the Melbourne-based transport, security and healthcare group, said yesterday that it planned to direct the bulk of the spare funds resulting from the forthcoming sale of its stake in Optus Communications, the Australian telecommunications group, into its healthcare division.

The announcement came as the group confirmed that it had signed a new joint venture agreement with Indonesia's Kalbe group. Mayne will have a 40 per cent interest in the joint venture, which plans to develop two private hospitals in Jakarta and manage a third. Mayne also said that it was "continuing to examine possible acquisitions in France, Canada and Australia". *Nikki Tait, Sydney*

Ashanti amends merger terms

Ashanti Goldfields of Ghana, the mining company in which Lonrho of the UK holds a 37 per cent stake, has amended the terms of its US$290m bid for Australia's Golden Shamrock Mines. The company will now offer one Ashanti share for every A$18.27 of GSM's convertible unsecured debentures, compared with one share for every A$20.80 of GSM debentures previously. The two companies said they expected to announce further details on the timing of the proposed merger "shortly". *Nikki Tait*

Sydney casino group in black

The Sydney Harbour Casino group, in which Showboat of the US has a 26.3 per cent stake, yesterday announced an after-tax profit of A$1m (US$779,000) in the half-year to end-June, despite achieving revenues of A$182.6m. Before abnormals, there was a profit of A$24.8m. The casino group is operating out of temporary premises, while it builds a US$650m permanent facility. *Nikki Tait*

HK airport services deal

By John Ridding in Hong Kong

The main aviation groups of China and Taiwan are to co-operate in a ground services operation at Hong Kong's new airport alongside an arm of Jardine Matheson, one of the territory's founding trading groups, according to an announcement made yesterday.

A statement issued by Jardine Pacific, part of the Jardine Matheson group, said that China Airlines, of Taiwan, would take a 15 per cent stake in Jardine Air Terminal Services (Jats). Jardine Air Services Limited, which is the leading shareholder of Jats, is a joint venture between Jardine Pacific and CNAC, the commercial arm of China's aviation regulator.

Referring to the unusual alliance, Mr Stanley Ko, director of Jardine Pacific said: "This agreement brings together the PRC's CNAC and Taiwan's China Airlines, which are the second and third largest users respectively of airport services at Kai Tak airport."

Kai Tak is due to be replaced by the territory's new Chek Lap Kok airport, one of the world's largest infrastructure projects which is set for completion in spring 1998. According to the companies, the partnership is expected to speed baggage handling on flights through Hong Kong between mainland China and Taiwan, which do not have direct air links.

Jats will provide a range of franchised services designed to smooth transit at Chek Lap Kok, including loading and unloading of aircraft, transportation of cargo, baggage and mail and passenger baggage handling.

Mr Ko said that Jats planned to invest about HK$250m at Chek Lap Kok. A spokesman for CNAC expressed satisfaction with the agreement, adding that the mainland-controlled company would continue to invest in Hong Kong when suitable opportunities arise.

European Investment Bank

NLG 500,000,000
Floating Rate Bonds
1992 due May 15, 2002

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the interest period from August 15, 1996 to November 15, 1996, the interest rate has been fixed at 2.48%.

On November 15, 1996, the following amounts will be payable on the outstanding denominations:

NLG 10,000: NLG 63.38
NLG 100,000: NLG 633.78
NLG 1,000,000: NLG 6,337.78

Rabobank International

August 13, 1996

Investment side drives growth at SBC

By William Hall in Zurich

Swiss Bank Corporation yesterday reported a 34 per cent rise in after-tax profits for the first six months of the year, from SFr540m to SFr722m ($601.7m). It said it was helped by a strong performance in investment banking and asset management.

SBC estimated that after adjusting for the acquisition of S. G. Warburg, the UK investment bank bought for £860m ($1.3bn) in May, its net profit for the first half of 1996 was 24 per cent higher than a year ago.

Mr Hans Kaufmann, head of investment strategy at Bank Julius Baer, said that results of the acquisition were showing through "better and quicker than expected". Mr Sylvan Zülle of Bank Sal. Oppenheim (Schweiz) said it was an important factor behind the improvement in SBC's return on equity, to 10.5 per cent. However, some analysts felt SBC's trading profits were not as high as expected; the shares closed SFr2.75 lower at SFr236.

The results suggest SBC is making ground in its efforts to improve the quality of earnings. The proportion of profits from fee and commission income has risen from 28 per cent three years ago to 40 per cent.

However, operating expenses have also risen dramatically, and at SFr3.2bn are now higher than those of the bigger Union Bank of Switzerland. SBC says that after adjusting for Warburg, its personnel costs rose only 7 per cent over the period.

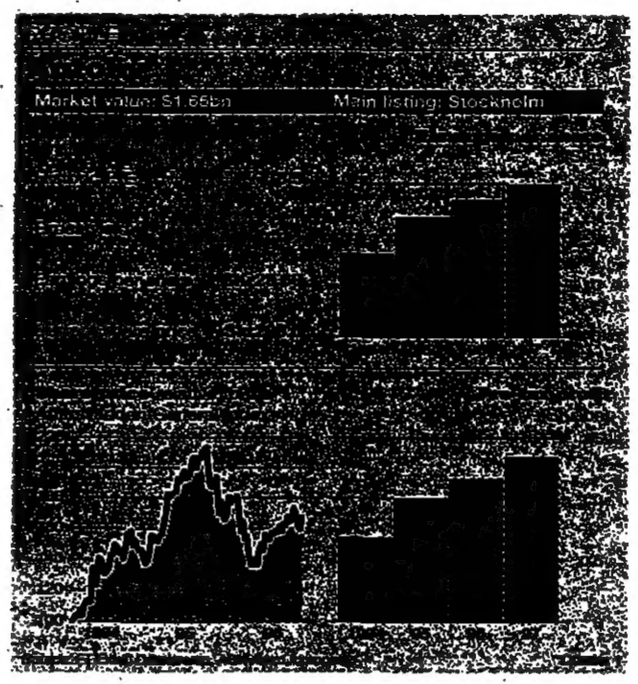
The group's balance sheet grew by 7.5 per cent to SFr309.8bn. But a third of the increase was attributed to currency factors, and customer lending rose 2.3 per cent. Non-mortgage lending fell 1.7 per cent after adjusting for the effect of the US dollar appreciation.

First-half net income was roughly the same as the improvement reported last week by UBS. However, the sources of profit growth were markedly different, with SBC's net commission income rising 58 per cent, to SFr2.1bn, or nearly twice as fast as at UBS. By contrast, SBC's revenues from trading and risk management rose 27 per cent to SFr1.5bn, while UBS's trading profits jumped 50 per cent to SFr1.3bn.

SBC, which usually earns a disproportionate amount of its profits from trading, says customer-related activities and market-making were the main sources of growth, with proprietary trading accounting for only 13 per cent of trading profits.

On the traditional banking side, net interest income rose 10 per cent to SFr1.5bn. Loan loss provisions rose 37 per cent to SFr681m.

Autoliv looks to capture 20% of airbag market



Autoliv, the Swedish automotive accessories group, says it expects to increase its share of the world's car airbag market to nearly 20 per cent by 2000 from the current 12 to 13 per cent, report agencies from Stockholm.

The forecast came as the group announced a pre-tax profits rise of 17 per cent, to SKr618m ($93m), in the first half to end-June, on sales up 8 per cent at SKr6.03bn. The figure was a little ahead of analysts' estimates of SKr610m.

Earnings per share rose from SKr6 to SKr7.34.

Airbag sales grew 8 per cent from Skr2.6bn a year earlier to SKr2.9bn, mainly because of the increased number of installations of airbags by established customers.

Autoliv has said it expects the world airbag market to be worth 100m units a year by 2000.

The group produced less than 5m airbags last year, and the increase to 20m by 2000 means a growth rate each year of nearly 40 per cent.

Sales of seatbelts rose 8 per cent, from SKr2.9bn a year earlier to SKr3.2bn.

The improvement in interim pre-tax profit is mainly attributed to increased integration within the company and continued savings, Autoliv said. Currency fluctuations had a negative effect of 10 per cent on sales, offset by acquisitions which lifted sales 8 per cent.

The group, which was spun off from Electrolux, the household appliance maker, in 1994, has made several acquisitions to complement organic growth.

Its core markets are in Europe, where its customers include Renault, Ford, BMW, Volvo and Saab.

Operating profit for the first half was SKr585m, a rise of 20 per cent on the comparable period.

Shares for the group rose SKr7 to close at SKr208.

Diabetes unit leads rise at Novo Nordisk

By Andrew Arnold in Copenhagen

A strong performance in its core diabetes division helped Novo Nordisk, the Danish pharmaceutical company, lift interim pre-tax profit 19 per cent, from DKr1.03bn to DKr1.23bn ($215.2m). Operating profit rose 8 per cent from DKr1.05bn to DKr1.14bn.

Turnover for the first six months rose 2 per cent, to DKr7.05bn from DKr6.93bn in the same period last year. Sales from continuing businesses, following the disposal of three subsidiaries, climbed 8 per cent.

The results were better than the market expected, and the shares ended up DKr19 at DKr869. The result gave credence to Novo's own target of between 10 per cent and 15 per cent growth in operating and pre-tax profits for the year. Mr Kurt Anker Nielsen, deputy chief executive officer, said expectations for the full 12 months were unchanged.

Sales growth of 10 per cent in diabetes care products, to DKr3.64bn, underpinned growth. Turnover in the healthcare business rose 7 per cent from DKr4.49bn to DKr5.21bn.

In the US, sales of Penfill refills for the NovoPen insulin injector rose 10 per cent, measured in dollars. The company says the market is unaffected by its lawsuit against US rival Eli Lilly, accusing it of "false and misleading statements" and trademark infringement. It refutes claims from Eli Lilly that its own insulin cartridges are suitable for use in the NovoPen.

Sales in the enzyme business grew 6 per cent to DKr1.18bn. In hormone replacement therapy treatments, they were up 8 per cent to DKr411m, while there was a modest 1 per cent sales rise in human growth hormone Norditropin. Licence fee revenues from the group's Seroxat anti-depressant drug grew from DKr181m to DKr202m.

NEWS DIGEST

Akbank advances 17% in first half

Turkey's overheating economy helped drive profits ahead at Akbank, the country's biggest private-sector bank, which reported first-half net income up 17 per cent in dollar terms to $178.4m. Analysts said profits were in line with their forecasts, and they expected Akbank's to improve further in the second half when interest rates are forecast to rise sharply as the near-bankrupt treasury increases borrowing.

Many Turkish banks and companies now make most of their profits by lending to the government at very high interest rates. Ms Aslihan Şen, analyst at Istanbul's *Global Securities, said: "Akbank has a larger ratio of* [treasury] securities to assets than other large Turkish banks, so my forecast for full-year net income is about $365m." However, she said Akbank ran down its portfolio of treasury bills in the first half by about $140m, to $990m, as interest rates dropped to 115-120 per cent during the reporting period. Turkey's annual inflation rate is 81.2 per cent.

High interest rates reflect rising political uncertainty and a deteriorating economic outlook. Turkey now has an Islamist-led government whose populist policies are *fuelling inflation, interest rates and treasury debt.* However, Akbank has benefited from these unsustainable policies. The economy grew 6 per cent in the first half, increasing demand for consumer and corporate loans while yields on treasury paper fell. Ms Şen says Akbank's ratio of loans to assets rose to 26 per cent from 19 per cent in first half of 1995. *John Barham, Ankara*

Bang & Olufsen lifts dividend

Bang & Olufsen, the Danish audio and TV manufacturer, reported pre-tax profits of DKr272m ($47.6m) in the year to May 31, up 8 per cent on the previous 12 months. B&O, famous for its sleek and expensive designs, managed to lift sales 2.4 per cent from DKr2.62bn to DKr2.71bn, in spite of tough market conditions in Europe. The company raised its dividend 25 per cent to DKr1.5.

Andrew Arnold, Copenhagen

Omnitel holds loss to L260bn

Omnitel Pronto Italia, Italy's second mobile phone group, has unveiled an after-tax net loss of L260bn ($171.5m) for the first half of 1996, seven months after launching its GSM mobile phone service. The consortium, which is 41.3 per cent-owned by Olivetti, confirmed its subscriber count at end-June at 300,000. Revenues for the first half were L250bn.

Omnitel said it had captured almost 50 per cent of the Italian GSM market, and extended its network coverage to 52 per cent of Italian territory, or the equivalent of 78 per cent of the population. It said the positive trend in operating margins had enabled it to limit its net loss, with more than half – L164bn – attributable to depreciation and interest expenses. The company expects to reach operating break-even in 1998.

In the first six months of 1996, Omnitel invested L420bn of the L700bn planned for the full year. By the end of the half-year its total number of employees reached 2,300. On July 5, Omnitel's share capital was increased to L950bn.

State-controlled Telecom Italia Mobile has a clear lead in subscriber numbers of mobile telephone users in Italy. However, the majority use its older analogue system, although its own GSM user numbers are also expanding rapidly. *Reuter, Milan*

Tadiran ahead at $38m in first half

By Avi Machlis and Julian Ozanne in Jerusalem

Tadiran, Israel's leading electronics company, yesterday reported record first-half results, with surging net income and a 12 per cent increase in sales.

Net income, excluding capital gains, rose from $6m, or 31 cents a share, in 1995, to $37.9m, or $1.59.

The advance reflects a $13.9m one-time charge levied in the first quarter of 1995.

Sales for the six months rose from $519.4m to $580.8m.

Net income for the second quarter rose from $12m last year to $53m in 1996, including capital gains of $33.7m from the initial public offering of Tadiran Telecommunications, its telecoms subsidiary, on Wall Street earlier this year. Net income excluding capital gains was $19.3m.

Earnings per share, excluding capital gains, rose 61 per cent, from 61 cents in the second quarter of 1995 to 98 cents this year.

Sales rose 18 per cent, from $264.4m to $311.4m.

Mr Israel Zamir, Tadiran president and chief executive, said the half-year results reflected the company's strategies of separating its civil and military arms and creating independent subsidiaries from company divisions.

"The successful public offering of Tadiran Telecommunications [in March] is an important milestone in our plan to become a specialised strategic group consisting of high-quality subsidiaries," he said.

Analysts said that, in spite of last year's problems, Tadiran's profitability had jumped to a higher level and was likely to rise through the end of 1996.

In Tel Aviv, Tadiran, which is 62 per cent owned by Koor Industries, the Israeli conglomerate, closed 4.5 per cent higher at Shk12.55.

In early trading on Wall Street, Tadiran was up $¾ to $24¾, a 3.5 per cent rise on Tuesday's close.

Property disposals bolster Merita

By Greg McIvor in Stockholm

Merita, the dominant banking group in Finland, said profits rose 63 per cent in the first half of 1996, although it attributed a substantial part of the increase to non-recurring items such as property disposals.

The bank – formed last year by the merger of Kansallis-Osake-Pankki and Unitas – reported a rise in pre-tax profits from FM253m to FM681m ($154m), higher than the FM491m earned in the whole of 1995.

However, the results were not fully comparable, since the 1995 report excluded first-quarter profits from Kansallis. Pro-forma figures were not produced.

Much of the pre-tax gain resulted from disposals of property assets repossessed during the banking crisis of the early 1990s. The profits also included FM230m in write-backs of previous provisions against problem loans. Underlying profits were FM473m, after stripping out FM208m of asset sales.

Mr Veso Vainio, Merita chief executive, said group operations developed more favourably than expected in the first half, buoyed by strong activity on equities markets which lifted income from investment business.

He forecast full-year profits would be "firmly positive", reflecting a gradual recovery in domestic demand and the stabilisation of loan losses at "normal" levels.

Markka-lending increased slightly but was outweighed by a drop in foreign currency lending amid tougher competition from domestic and international banks.

Merita said the decline caused a minor fall in interest income. Its "broad margin", its nearest equivalent to a net interest margin, slipped from 2.8 per cent to 2.5 per cent.

Mr Paul Vanner, banking analyst at Paribas Capital Markets in London, said Merita's operating performance was encouraging but its cost-to-income ratio of 65 per cent was too high. "They definitely need to reduce overheads by a lot more," he said.

Old shipping line stirs new wave of interest

CGM sell-off has attracted nine contenders

Compagnie Générale Maritime may not be among the French companies most closely followed by investors and analysts, but nine potential buyers have come forward to express serious interest in the forthcoming privatisation of the state-owned shipping group.

The nine approved by the government have until October 3 to study the financial details of CGM and submit formal bids, clearing the way for a sell-off before the end of the year.

CGM has 2,000 employees and operates 31 ships valued at FFr1.5bn ($296.5m) on a variety of freight and passenger routes around the world, many connecting France to its former colonial territories. The group does not publish its full 1995 accounts until next week, and a lot of information on it remains opaque.

One thing is clear: CGM has a history of losses. Since 1977, it has had enjoyed just two years in the black and needed more than FFr7bn in state aid, including a final FFr1.1bn injection agreed with the European competition authorities earlier this year on condition it was the last ahead of a sell-off.

In the face of intensifying competition and pressure from the state for a sale, CGM has begun to restructure and reduce its level of debt toward the industry average. Mr Philippe Pontet, the chairman appointed last year, recently forecast it would return to break-even during 1996.

The procedure to be used for the privatisation of CGM – a trade sale to a single buyer or group of buyers rather than a stock market flotation – has become increasingly common for small or sensitive state-owned groups in recent months.

Examples include Marseillaise de Credit and CIC bank, now under way; Thomson, the defence contractor, which was launched earlier this month; and Société Française de Production, the audio-visual group.

What is more striking about the list of possible buyers for CGM – and which could raise awkward political questions – is that a number of them are foreign. They include Wilhemsen Lines of Norway, Hamburg-based Deutsche Afrika Linien, and OT Africa Line of the UK.

Another intriguing candidate is Compagnie Maritime Antilles Guyane. This line was founded by clients of CGM in the Antilles and Guyana with help from Mr Marc Fournier, former head of Navigation Mixte, a conglomerate created around shipping from which he was deposed last year by disgruntled shareholders.

CMAG's reason for launching a bid is instructive: one of its backers has expressed fears that as long as CGM was nationalised, service was assured; with it in the hands of a private operator other than itself, that could change and the local economy could be threatened.

The French state's use of CGM as a tool for regional economic development, as much as a commercial group, could prove one of the biggest challenges for buyers and explains why one of the conditions for tender is that acquirers hold on to their investment for at least two years and specify plans for its routes.

Last month, the group conceded it had been associated with heavy staffing and high costs, but stressed that this image was no longer true.

Others are more sceptical, referring for example to its 80 per cent-owned SNCM subsidiary which links France to Corsica, and which charges high, inflexible prices on a near-monopoly route and recently built a hugely expensive ferry which operates at nowhere near full capacity.

Significantly, SNCM – perhaps the most politically charged of all the group's activities – will not be sold off but will remain in the firm hands of the state.

Andrew Jack

NOTICE TO THE BONDHOLDERS OF

U.S. $75,000,000

8¾ per cent. Guaranteed Bonds due 2001

(the "Bonds")

issued by

BTM Finance (Curaçao) N.V.

(formerly, MBL Finance (Curaçao) N.V.)

(the "Issuer")

Guaranteed on a subordinated basis by

The Bank of Tokyo-Mitsubishi, Ltd.

Notice is hereby given pursuant to Condition 6 and 13 of the Terms and Conditions of the Bonds that the Issuer intends to redeem on 27th September, 1996 (the "Redemption Date") all outstanding Bonds at par together with accrued interest to the Redemption Date.

BTM Finance (Curaçao) N.V.
By: The Bank of Tokyo-Mitsubishi, Ltd.
London Branch
as *Principal Paying Agent*

15th August, 1996

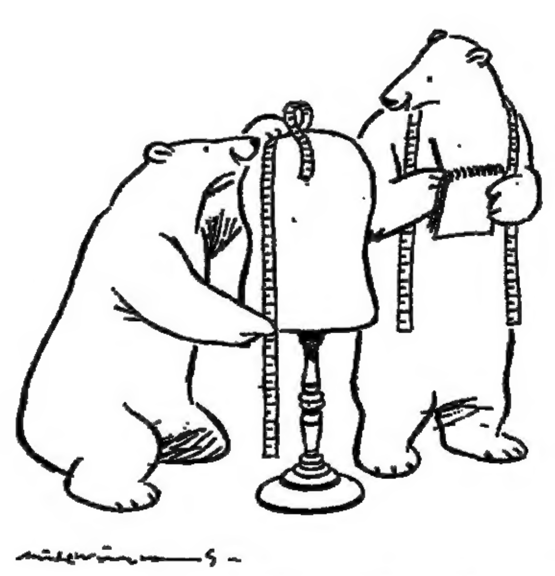
NATIONAL BANK OF CANADA

USD 200,000,000 Floating Rate Notes due 2001

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from August 15, 1996 to November 15, 1996 the Notes will carry an Interest Rate of 5.60 % per annum.

The Coupon Amount payable on the relevant Interest Payment Date, November 15, 1996 will be USD 143.11 per USD 10,000 principal amount of Note and USD 1,431.11 per USD 100,000 principal amount of Note.

The Calculation Agent
KBL Kredietbank Luxembourg



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Suitors ready to woo Lloyds Chemists again

By Christopher Price

The likelihood of a fresh bid for Lloyds Chemists increased yesterday as the two suitors, Gehe and UniChem, indicated they were poised to fulfil the government's conditions for buying the high street drugs group.

Mr Ian Lang, trade and industry secretary, ruled last month that Gehe and UniChem must have agreements from buyers for a large proportion of Lloyds' wholesale pharmaceuticals business before reviving takeover attempts.

Previous bids by Gehe and UniChem were referred to the Monopolies Commission in March. Both have extensive interests in the wholesale market.

Mr Karl-Gerhard Eick, chief financial officer of Gehe, said the group hoped to have agreements in principle signed for the sale of seven Lloyds' wholesale distribution centres within two weeks. These would then be submitted to the DTI for approval to open the way for a new bid. The government gave the two bidders until October 18 to comply with its conditions.

Gehe, the German group which paid £400m for the AAH drugs retailer last year, tabled a cash bid of £650m for Lloyds.

Advisers to UniChem, which had mounted a £630m cash and share offer for Lloyds, said it too was confident of meeting the DTI's criteria for a fresh bid within the next two weeks.

The UK group had received about 25 expressions of interest for the six centres it has been ordered to sell. Potential buyers included both domestic and European drugs wholesalers, financial institutions and management buy-outs.

Should they get approval from the DTI, the question for both companies is the valuation they attach to Lloyds after the disposals and last month's profit warning.

Mr Eick emphasised that Gehe considered the value of Lloyds to have diminished since the referral in March. Besides the wholesale business, which he said was worth about 2 per cent of Lloyds operating profits, he also highlighted the difficult trading situation at the UK group. Lloyds' profits warning last month prompted analysts to cut current year forecasts from £60m to £50m. "If this does not affect the value of a company, I do not know what does," Mr Eick said.

Mr Geoff Cooper, finance director of UniChem, was more positive. "We always knew that we would have to make some disposals when we made our last bid. We were also aware of the trading situation at Lloyds."

Lloyds has 924 pharmacies, against UniChem's 424 and AAH's 300.

LEX COMMENT

Investment trusts

The bidding war for Kleinwort European Privatisation Investment Trust (Kepit) has placed the spotlight on the murky world of investment trusts. And with its fat termination fees, long management contracts and cosy relationships between company boards and investment managers, it is not a pretty sight. Ironically, Kepit itself is not one of the worst offenders. Kleinwort's maximum £4m termination fee may look big. But at 0.7 per cent of funds under management, it is less than half Henderson's termination fee for its TR European Growth fund, one of the bidders for Kepit. Moreover, Kepit's board has demonstrated its independence from Kleinwort by inviting bidders. This compares with many funds where the management company has a controlling stake and dominates the trust's board. One risk of such cosy links is that poorly-performing managers do not get the sack. Another is that trusts could be encouraged into launching bids that are driven more by the desire to win fees for the manager than to create value for shareholders. The best answer is for investors to avoid investment trusts without genuinely independent boards. That way, boards may start pushing for shorter investment management contracts. That should help narrow the sector's big discounts to asset value.

Lydia van der Meer

Gareth Davies, left, with Bruce Ralph: 22 businesses to go

Glynwed to slim down after decline to £40m

By Richard Wolffe, Midlands Correspondent

Glynwed International, the diversified engineering group, said yesterday it would dispose of 22 non-core businesses after announcing a 3 per cent decline in interim pre-tax profits.

The disposals, mainly in its construction products division, are expected to be completed by the end of this year. Glynwed said the companies, which had suffered from weak demand for construction materials this year, no longer fitted its strategy of concentrating on export markets and higher margin products.

Profit margins fell in the six months to June 29 as the price of stainless steel and aluminium affected its metal distribution businesses.

Pre-tax profits fell to £40.2m ($62.7m) on sales up 11 per cent to £677.3m.

However, Glynwed reported signs of a recovery in consumer spending, with strong demand for Flavel-Leisure's Rangemaster cookers and Aga-Rayburn products. It also said there was a pick-up in industrial spending on its pipe systems.

Mr Bruce Ralph, chief executive, said: "The consumer durables business is becoming quite busy, and pipe systems are looking more positive with greater industrial investment.

"No one is getting overly optimistic, and we are certainly not euphoric, but we have no great concerns about these markets either."

Much of the sales lift came from last year's £147m acquisition of Victaulic, the pipeline products manufacturer. Victaulic helped it to capitalise on water companies' plans to repair and replace old water mains. However, the pipe systems division was hampered by a downturn in demand from the UK gas industry and reduced industrial investment in continental Europe.

The picture was more mixed in consumer and construction products, where sales of commodity-type products such as copper tube and PVC sections suffered from weak demand in construction markets.

But the most disappointing performance was in metals distribution, where Mr Gareth Davies, chairman, blamed the drop in stainless steel and aluminium prices, some of which had almost halved over the last 12 months. Profits there fell to £6.1m (£11.8m) on sales of £167.4m (£178.5m).

Leap at Games Workshop

By Christopher Price

Teenagers' seemingly insatiable appetite for goblins and dragons helped Games Workshop, the fantasy board game retailer, to increase pre-tax profits 47 per cent to £8.87m ($13.8m) in the year to June 2.

Turnover rose 40 per cent to £44.9m, a rise which reflected increased sales across the company's six main export markets. France and Spain were particularly strong as the proportion of sales originating in the UK dropped from 50 to 45 per cent.

Twenty-five new high street stores were opened, taking the total number of outlets to 118 overseas and 90 in the UK. Mr Tom Kirby, chief executive, said the company planned to open at least 10 a year in the UK for the foreseeable future.

Group operations in North America had been restructured with the result that the company was selling directly to independent retailers in the US. In Canada, a separate company had been set up to develop the group's interests.

Mr Kirby said the company was keen to develop other export markets, seeing no cultural barriers to the appeal of the fantasy board games and associated models and magazines. Expansion in Japan, in particular, was under consideration.

Hanson gas arm signs £100m deal

By Simon Holberton

Eastern Natural Gas, the gas subsidiary of Eastern Group, yesterday extended its portfolio of natural gas with a £100m ($156m) deal to take Lasmo's and British Borneo's shares of the Boulton field in the North Sea.

At the same time Eastern, the energy subsidiary to be demerged from the conglomerate Hanson, claimed that it had overtaken Mobil Oil as Britain's largest independent gas company.

Lasmo and British Borneo own 44.5 per cent and 9.5 per cent respectively of the Boulton field. Eastern will take their shares over 16 years beginning in the second quarter of 1996 when the field comes into production.

At peak consumption, Eastern will buy 120m therms of gas a year.

Conoco, a partner of Scottish Power in domestic gas distribution, is the operator of the Boulton field but is not party to the deal. Eastern would have been happy to buy Conoco's share.

Mr Eric Anstee, finance director of Eastern, said the gas subsidiary, had "over 12 per cent of the competitive retail market and, with its wholesale and commercial markets, is currently handling about 7 per cent of all gas beached in the UK".

Granada plans city cable channels

By Raymond Snoddy

Granada Media, the Granada group's television operation, is planning to launch city-based cable television channels aimed at specific regions in the UK and continental Europe.

The channels, some of which could be launched within the next three months, are designed to complement the seven new satellite programme services to be launched in October in a joint venture with BSkyB.

Granada's channels, which would offer live entertainment and news, could offer considerable competition to the two main existing cable-only channels, the Mirror Group's Live TV and Channel One, the 24-hour news channel owned by Associated Newspapers.

Granada could use its facilities in London, Manchester and Liverpool to produce what it believes would be high quality television at £2,500 an hour for large urban areas.

Mr Duncan Lewis, the former head of Mercury Communications who became chief executive of Granada Media three months ago, is also looking at the possibility of producing television for networks in continental cities.

Outlining his plans yesterday, Mr Lewis announced the creation of two new businesses: Granada Vision will have the task of developing channels for the UK and the rest of the world; and Granada Media Products covering videos and CD-Roms.

Two umbrella organisations will also be created: Granada International Productions under Mr Jules Burns and Ms Andrea Wonfer and Granada UK Broadcasting run by Mr David Liddiment.

Other areas being looked at include programmes that can cross international frontiers such as animation, music and the arts.

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Value Realisation Trust plc

(An investment company under Section 266 of the Companies Act 1985, incorporated in England and Wales, registered number 3184517)

Introduction to the Official List of the London Stock Exchange of up to 93,303,119 Ordinary Shares of 10p each and £48,984,137 nominal of 1.4 per cent. Convertible Unsecured Loan Stock 2006

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Copies of the VRT Supplementary Prospectus and the VRT Prospectus may be obtained during usual business hours up to and including 16 August 1996 (for collection only) from the Company Announcements Office, London Stock Exchange Tower, Capel Court, off Bartholomew Lane, London EC2N 1HP and up to and including 29 August 1996 from the registered office of the Company at 27 St. James's Place, London SW1A 1NR.

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SJPC Newco plc

(to be renamed as St. James's Place Capital plc)

(Incorporated in England and Wales, registered number 3183415)

Introduction to the Official List of the London Stock Exchange of up to 279,909,359 Ordinary Shares of 15p each

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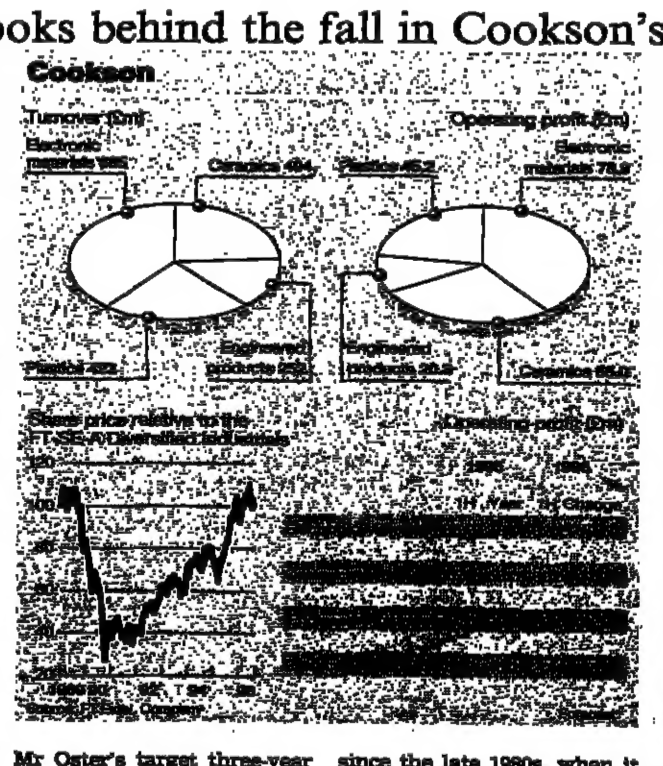
15 August 1996

Bear faction questions targets

Ross Tieman looks behind the fall in Cookson's share price



The irrepressible optimism of Mr Richard Oster, the chief executive of industrial materials group Cookson, has been called into question by the stock market.

In the past two days, shares in Cookson have fallen 6 per cent, to 251p, as analysts again pared their profit forecasts.

Mr Oster's trumpeted 1994 targets for operating profit growth – "double in three years, triple in five" – look a good deal less achievable because of a hiccup in demand for circuit board manufacturing machines. Is the story of Cookson's remarkable five-year recovery drawing to a close?

Mr Bruce MacDonald, the NatWest Securities analyst who heads the bear faction, is advising investors to reduce their holdings. He says first-half profits from Cookson, expected on September 5, are likely to show a 10.5 per cent slide in operating profits from the company's electronic materials division to £32.2m.

Despite continuing strong performances from ceramics and plastics, he reckons the group will be hard-pressed to make up the ground during the second half. So for the year to December he predicts Cookson will make pre-tax profits of £201m, £10m below the analysts' consensus.

Mr Richard Rae, of ABN Amro Hoare Govett, has also cut his full-year forecast, to £200m – which gives a prospective p/e of 13.5. Supposing operating profits of £221m for the current year, Mr Oster's target three-year rise from £140m in 1994 to £280m in 1997 appears extremely challenging.

Concern among investors has been deepened by a shift in Cookson's cash flow situation. With capital spending rising strongly to more than £100m this year, Mr MacDonald calculates that the company faces a cash outflow of £37.9m, after an inflow of £49.8m last year.

But the bear case for Cookson is far from proven, despite the logic underlying the correction. ABN Amro regards the setback as a buying opportunity.

Cookson has travelled far since the late 1980s, when it came within a whisker of collapse after a headlong acquisition spree. Restructuring has focused it upon markets enjoying remarkable rates of growth. The star is electronic materials, from which Cookson, a world leader, earned revenues of £685m last year.

Cookson produces the plastic laminates from which printed circuit boards are made. It makes the solders and pastes which carry the current, and the ceramics used by others to make the capacitors. And it makes the machines used to etch the circuits on to the boards and solder the circuits.

The printed circuit machines are behind the profits glitch. Multilayered boards, containing up to 12 circuits, have been replacing traditional cards in personal computers and other devices. Making them needs clever machines. Encouraged by rapid demand growth, Cookson's MPM subsidiary built a second plant to double capacity and took on another 100 staff.

But during the first half, a hiatus in the US computer industry caused MPM's sales to stagnate. The slowdown also hit its sister company Electrovert, making flow-solder machines. According to Mr Rae: "The problems are largely confined to the production equipment manufacturing business."

But signs are that demand from manufacturers is reviving. Dell, the US personal computer maker, says its sales are rising 18-20 per cent a year. Nokia, in mobile telephones, reports demand growth of 30 per cent. "The core markets of Cookson's electronic materials business are still showing satisfactory growth," says Mr Rae.

Elsewhere within Cookson, ceramics and plastics are also reckoned still to be increasing annual sales by 18 per cent and almost 10 per cent, respectively.

Cookson has broken its stride and its pace of growth, in sales and profits alike, may become less dependable. Investors hate surprises and the managers responsible are not forgiven in a hurry.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BICC	6 mths to June 29	2,374	(2,140)	21♠	(60)	10.5L	(6.5)	4	Jan 2	4	-	12.5
Brandon Hire	6 mths to June 30	9.87	(6.54)	0.901♥	(0.203♠)	3.1†	(0.9)	0.9	Dec 3	0.75	-	2.25
Celtic Φ	Yr to June 30	16	(10.4)	1.01L♠	(0.4L♠)	-	(-)	-	-	-	-	-
City Centre	6 mths to June 30	60.9	(51.8)	6.41♥	(6.26♥)	2.46	(2.27)	0.45	Oct 11	0.45	-	2.24
Conrad Ritblat	Yr to May 31	20.3	(12.9)	1.58♠	(1.35)	8.3†	(8.6)	4.675	Oct 25	4.25#	6.325	5.75#
Games Workshop	Yr to June 2	44.9	(32.1)	8.87	(6.02)	18.2	(13.1)	4.8	Oct 25	3.7	8.8	5.2
Glynwed Intl	6 mths to June 29	677.3	(609.2)	40.2	(41.5)	10.99†	(13.23)	4.4	Dec 4	4.4	-	12.75
Hemingway Props	6 mths to June 30	11	(6.54)	2.26	(1.46)	1.05	(0.83)	0.165	Nov 7	0.15	-	0.5
Independent Ins	6 mths to June 30★	232.7□	(207.1□)	17.1	(15.5)	25.4	(24.1)	5.3	Oct 31	4.6	-	11.25
Jacobs	6 mths to June 30	27.7	(11.8)	1.75♥	(1.32)	2	(1.7)	0.375	Oct 3	0.3175	-	1.26
Maid	6 mths to June 30	9.58	(5.76)	3.28L	(0.408)	3.68L†	(0.33)	-	-	-	-	-
Monarch Res ☆	6 mths to June 30	12	(13)	0.448	(2.84L)	1†	(5L)	-	-	-	-	-
Nichols (Vimto)	6 mths to June 30	35.4	(29.9)	3.8	(3.89)	6.44	(6.59)	2.45	Oct 28	2.33	-	6.63
Therapeutic Antib ☆	6 mths to June 30	0.391	(0.294)	7.06L	(3.85L)	42L	(26L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Japan	Yr to June 30	93.2	(78.4)	0.084L	(0.025L)	0.31L	(0.12L)	-	-	-	-	-
Jupiter Geared		-	(-)	-	(-)	-	(-)	1.4✠	Sept 27	1.4	-	7.788

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. #Adjusted for share consolidation. ★Comparatives restated. □Gross written premiums. ΦAim stock. ✠First interim.

Lustre of gold particles

In the constant quest to build smaller and faster electronic devices, a new generation of semiconducting films, consisting of tiny gold particles, has been developed.

The particles are a few nanometres (millionths of a millimetre) across and are stabilised by a thin coating of thiol, a small sulphur-containing molecule. This coating not only prevents the nanoparticles from coalescing, but induces the particles to order themselves into well-defined structures – an essential requirement for ensuring uniform electrical properties in the bulk films.

Initial studies, carried out at Liverpool University, have shown that both the electrical and optical properties of these ordered films are governed by the size of the nanoparticles and the distance between them, both of which can be adjusted by modifying the thiol coating.

In separate articles published in Nature today, two US research teams, based at Northwestern University, Illinois, and the University of California, Berkeley, describe taking this a step further using molecules of DNA capped with thiol to control the spacing between the gold particles.

At room temperature, the DNA-coated particles assemble themselves into a close-packed structure and the films absorb light in the red region of the visible spectrum. At higher temperatures, the bonding between the gold particles breaks up and the well-defined structure is no longer stable. The colour of the film also changes.

Two advantages are that these materials can be produced by simple colloidal chemistry techniques on a large scale and that the properties of the films do not appear to degrade with time. As these semiconducting films are half way between simple synthetic structures and biological materials, potential applications are endless.

Carol Jones

Andrew Baxter on a fruitful linking of radio and computers

Wonders of wireless

When customers of Hertz return their rented cars to Heathrow and 12 other locations in Europe, they are met by Hertz representatives wielding hand-held radio data terminals.

Details of the vehicle registration number, rental agreement, mileage and fuel level are keyed in, and sent via base stations and computer links to the Hertz mainframe in Oklahoma City. Within 60 seconds the customer receives an itemised receipt from a printer attached to the terminal.

This time-saving innovation is an example of an emerging trend in wireless radio frequency data communications (WDC) systems. An increasingly common feature of warehouses and distribution centres for food, pharmaceutical and other industries, they are beginning to make inroads in manufacturing, ports and container-handling terminals and other applications.

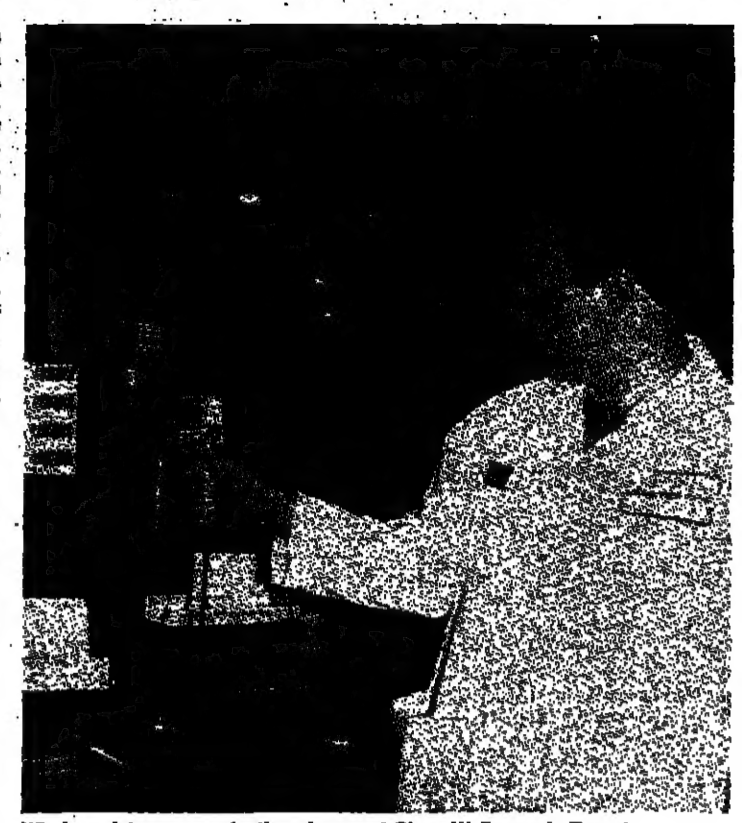
The trend is being driven by the increasing sophistication of WDC equipment powered by 32-bit microprocessors, along with reduced costs, greater reliability and enhanced "connectivity" of the software that links radio frequency (RF) equipment with other computer systems.

Companies which have used WDC systems are realising the advantages of using them further "up" or "down" the production chain from their warehouses, says Patrick Bays, vice-president for international operations at Ontario-based Teklogix, one of the pioneers of the technology.

The Mississauga-based company supplied Hertz with its system and has been one of the main beneficiaries and instigators of this trend, which is partly motivated by the increasing maturity of the warehouse WDC market, at least in North America.

In the 1980s, says Bays, radio frequency data collection was a tool to improve stock control in a warehouse. Big companies were the first to realise that they could obtain efficiencies and quick paybacks, but as the cost of implementing an RF system came down, along with the price of stock control software, so a broader range of companies became customers.

Nowadays a typical order for an RF system would be worth about $100,000 (£64,000) and would include several hand-held terminals and, increasingly, terminals that can be mounted on lift trucks. These would be linked by radio to base stations, whose number would depend on the size of the building and the frequency



Wireless data communications in use at Glaxo Wellcome in Toronto

band used, and network controllers linked to host computers.

Companies such as Campbell Soup and Glaxo Wellcome, for example, are using Teklogix equipment in their Canadian distribution centres. Terminals mounted on lift trucks pick up information from scanners of the bar codes on pallets or boxes of goods, send it to the warehouse computer system and receive instructions. Users obtain big improvements in the accuracy of stock control information.

It is not surprising that the technology is also attractive outside the warehouse. As John Anderson, computer services manager at Tilbury Container Services, points out, a container terminal is "just like a gigantic outside warehouse".

Container handling at the UK terminal, which is majority owned by P&O, has until now been manually-based, he says. Clerks in a control room communicate by radio with drivers of the vast "straddle carriers" that shift containers around, or drivers are given a list of tasks. "The more you use voice, the more prone to error and slower the system will be," says Anderson.

Next month the terminal will go live in the first phase of a project in which about £100,000 of Teklogix equipment will be installed, including terminals in all 14 straddle carriers. Anderson sees big benefits for productivity in giving "the people who do the work" – the drivers – the ability to access and update the main computer system.

In the manufacturing sector, WDC systems can be used to access and update the information that accompanies raw materials and products as they move along the supply chain and through a factory, says Teklogix. Increased PC processing power allows more data to be processed and exchanged in a given time, so that the sophistication of the applications can be increased.

One important new application in manufacturing is improving quality control. Whirlpool, the US white goods maker, recently began using it to track products as they come off the production line, to ensure they are put in the right packaging. In the UK, another US multinational, Caterpillar, has installed a Teklogix system to manage the flow of materials through its construction equipment assembly plant at Desford, near Leicester. In general, however, manufacturing sites in the UK have been relatively *slow* to adopt such equipment.

This is due partly to the higher initial cost of a wireless system compared with a hard-wired version. But manufacturers are realising that a wireless system gives them more flexibility, particularly when they want to change the layout of production lines, says Mick Wright, customer services manager at Teklogix UK.

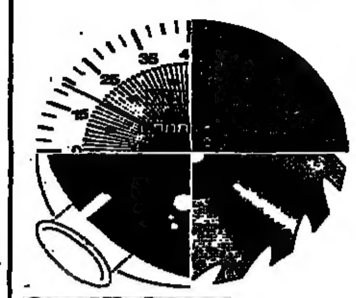
The Canadian parent company is planning its next enhancement of WDC technology. In March it acquired Tampa-based Badger, which makes "ruggedised" portable computers used by transportation, field service and public safety businesses.

Unlike the current Teklogix system, which operates as a local area network, the Badger computer is used in wide area networks. This would enable data to flow from one warehouse or factory to another, potentially enabling Teklogix to cover the whole supply chain.

Production of the computers will be shifted to Mississauga this autumn, and the range will be integrated with Teklogix's existing products by next year. "Our traditional customers' needs are expanding to require wide-area data communication," says Roderick Coutts, Teklogix chairman and chief executive.

Additionally, because the Badger machines use a Dos operating system, they are programmable – unlike Teklogix's current terminals which depend on applications software. In some applications, it could be important to have a programmable terminal, especially with the trend towards "distributive" or decentralised computing, says Bays.

Worth Watching · Vanessa Houlder



Spotlight on solar power

At last solar energy is becoming a cost-effective alternative to more traditional power sources, *writes Carol Jones*. A low-cost process, similar to that used for depositing anti-reflective coatings on glass, has been developed to manufacture large area photovoltaic devices based on copper indium diselenide (CIS).

Traditional commercial solar cells based on amorphous silicon convert only 4 per cent of sunlight into electricity. The new cells can at least double this and soon could reach values close to the 14 per cent efficiency obtained from much smaller cells manufactured under extremely clean laboratory conditions.

Within the next year, Global Solar Energy, an Arizona-based company formed by Tucson Electric Power and ITN Energy Systems, will have the capacity to manufacture 255,000 sq ft of CIS modules a year, enough to produce 1.5MW of electricity.

ITN Energy Systems: US, tel 303 420 1141; fax 303 420 1551.

Fish caught on satellite

A satellite information system has been set up by the European Union in an attempt to stop illegal fishing, stabilise fish prices and cut down the wastage of unwanted fish.

The system will establish a satellite link between fishing vessels and ports, which will provide information about the fish available on the fishing vessels and the demand at the large ports.

The Infomar project, which has been set up under the EU's Esprit programme, involves Vega Group, a UK software company; Navigs of France, Havinfo of Norway and Marstar of Iceland. The £3.1m project is expected to improve the efficiency of the European fish market, where there are large variations in price between one port and another.

Vega Group: tel, UK (0)1707 391999; fax (0)1707 393909.

Cutting down on internal scarring

Many thousands of patients who have undergone abdominal surgery suffer from internal scarring. The scar tissue – or adhesions – can cause pain, infertility and intestinal blockages.

Genzyme Therapeutics, the US biotechnology company, has designed a protective film which reduces the risk of adhesions because it keeps tissues apart during surgery.

Seprafilm, which is made from two naturally occurring polysaccharides, turns into a gel inside the body. It stays in place for seven days – the period when adhesions are likely to develop – before breaking down and being cleared through the kidneys.

Genzyme Therapeutics: UK, tel (0)1440 703522; fax (0)1440 714392.

Audio retrieval makes itself heard

Unlike text, there is no easy way to store and retrieve recordings of the spoken word. Archives of radio, television, audio and video are virtually useless unless the items have been indexed, or translated into text.

Olivetti Research and Cambridge University have tackled this problem with the development of the prototype of an audio retrieval system.

Voice recognition software is used to compute a "lattice" of sub-words for each message or programme. To find and play back the item, the user types in search words, which are scanned against the sub-words, generating a display that ranks the recordings of interest.

The project was funded by the Department of Trade and Industry and the Engineering and Physical Sciences Research Council.

Olivetti Research Laboratory: UK, tel (0)1223 343000; fax (0)1223 313542.

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Working together to create new horizons

Step-up coupon slows Mexico DM deal

By Susanna Voyle and Antonia Sharpe

Mexico's move to tap the D-Mark market after last month's successful $6bn floating-rate note issue got off to a slow start yesterday because of the unusual structure of its DM1bn offer.

The eight-year fixed-rate bonds pay 8¾ per cent for the first five years, representing a spread at issue price of 288 basis points over comparable German government bonds, after which they are puttable at par. For the last three years the coupon steps up to 10¾ per cent.

INTERNATIONAL BONDS

Lead manager Dresdner Bank blamed the step-up for the slow sales yesterday. "Investors need time to evaluate the structure of the transaction," it said.

Dresdner expects that the issue – targeted initially at institutions – will attract interest from the retail sector. To date, around 60 per cent of sales have been to German investors and 40 per cent internationally.

Mexico needs the money to help repay a $1.5bn government bond which matures in November – the country's last big debt repayment of the year. In last month's issue, one of the largest private financing operations ever, Mexico raised $6bn with notes backed by oil export revenues.

The decision to tap the German market reflects demand for higher-yielding paper among German retail investors. On Tuesday, Turkey's DM500m offering – its second D-Mark issue of the year – was sold largely to retail investors attracted by the 8 per cent coupon.

Deutsche Bank said Mexico's issue would have to be shifted quickly because many other Latin American issuers were looking at the market. It predicted that Argentina and Venezuela would issue D-Mark bonds in the next few weeks.

Yesterday's other significant transaction was the widely-expected $1bn 10-year deal from the World Bank. Demand was such that some banks in the syndicate were believed to be nursing short positions by the end of the day. The swift distribution caused the spread on the bonds to tighten to 17 basis points from the launch spread of 18 basis points over Treasuries.

Joint lead managers Merrill Lynch and SBC Warburg said demand for the bonds was greatest in Europe, which took half the issue, while a further 20 per cent each went to Asia and Japan. The US showed the weakest demand, taking the residual 10 per cent.

Another rumoured 10-year dollar transaction materialised when Federal Home Loans Mortgage Corporation (Freddie Mac), the US home loans agency, raised $200m through a reopening of May's $300m deal due 2006.

Lead manager Nomura said that since those bonds were trading near par, Freddie Mac was prompted to increase the offering rather than launch a new deal. The new bonds were priced to yield 23½ basis points over Treasuries.

The Swiss franc market remained active, with TMCC, a coveted name among investors, tapping the market for SFr200m with a four-year offering. Lead manager UBS said investors had shortened their required durations after extending them to 10 years last week. The bonds traded at less 1.30, within fees of 1½ per cent.

New international bond issues

Borrower	Amount m	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
World Bank	1bn	6.625#	99.195R	Aug 2006	0.325R	+18(7%-06)	Merrill/SBC Warburg
Fed Home Loan Mtg Corp(a)	200	6.75#	99.915	May 2006	0.325	-	Nomura International
D-MARKS							
United Mexican States(b)	1bn	(b1)	99.80R	Sep 2004	1.375R	+288(6¼%-01)	Dresdner-KB
SWISS FRANCS							
Toyota Motor Credit Corp(s)	200	3.25	101.35	Mar 2000	1.50	-	UBS
Dresdner Finance	150	4.50	102.65	Oct 2006	2.75	-	SBC Warburg
GUILDERS							
KfW International Finance(c,s)	200	5.00	99.85R	Dec 2000	0.225R	-3(6¾%-00)	SBC Warburg
AUSTRALIAN DOLLARS							
Dresdner Australia	100	7.00	100.50	Sep 1999	1.50	-	Dresdner-KB

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $300m. Plus 76 days accrued. b) Puttable on 10/9/01 at par. b1) 8¾% to 10/9/01, then 10¾%. c) Fungible with Fl 300m. Plus 68 days accrued. s) Short 1st coupon.

VSNL may revive plan for record Indian GDR

By Tony Tassell

Videsh Sanchar Nigam Ltd (VSNL), India's international telecommunications company, appears to be considering reviving its much-postponed Global Depositary Receipt issue – the largest planned by an Indian company.

No official confirmation has been made by the company, but speculation is widespread in the Indian broking community that VSNL will attempt India's largest equity offering on the international market by the end of September.

The move would be the third attempt by the company to make a GDR issue after first postponing a $1bn offering in 1994.

Brokers said VSNL is expected to cut the size of the issue to between $500m and $800m, but this would still dwarf other GDR issues by Indian companies.

The largest Indian GDR offering to date was a $300m offering in 1994 by Reliance Industries, the petrochemicals to textiles group.

Any VSNL offering would be a critical test of the appetite for further Indian paper from foreign investors.

Already this month, two companies, Tata Engineering and Locomotive Co and Industrial Credit and Investment Co of India, have raised a total of $400m through GDR issues, and foreign interest in the domestic market has declined as funds have diverted their attention to international offerings.

Brokers said the Indian government, which owns 82 per cent of VSNL, may attempt to launch its issue ahead of the $10bn equity offering by Deutsche Telekom, expected in October or November.

This would allow State Bank of India, the country's largest commercial bank, to follow with its planned $350m-$500m GDR issue in October.

However, it is still not clear whether any VSNL issue would be part of the government's privatisation programme, which aims to raise Rp50bn by the end of the year.

One UK fund manager said that a VSNL offering would attract considerable interest from foreign investors seeking exposure to the Indian telecoms market.

However, he said the pricing of the issue would have to be "tight". The first issue was postponed after an "unrealistic" pricing by the government.

The fund manager said that although foreign investors remained interested in quality Indian GDR issues, premiums have tightened in recent months.

The VSNL offering will be lead managed by Kleinwort Benson, Salomon Brothers and Jardine Fleming.

Currency weakness hits German bund prices

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets traded quietly yesterday, in anticipation of today's closure of several markets for the Assumption Day holiday.

German bunds fared poorly as the D-Mark weakened against the dollar, allowing other European currencies to regain part of previous weeks' losses.

Liffe's September bund contract settled at 97.76, down 0.10, while in the cash market the 6¼ per cent bond due 2006 lost 0.13 at 99.64.

■ UK gilts were the only European bonds to underperform bunds, their 10-year yield spread widening by 5 basis points to 170 points. The September long gilt future on Liffe lost 15/32 to close at 107 19/32.

Market participants were disappointed by the release of data showing growth in average earnings reached 3.75 per cent in July, against expectations of 3.5 per cent. A fall of 24,100 in the number of unemployed was also larger than expected. Analysts said the data revived fears of a pick-up in wage-led inflationary pressures.

■ French bonds ended higher, supported by a firmer franc on the currency markets. Matif's September notional contract settled at 123.54, up 0.12, while the September Pibor future gained 0.14 at 95.80.

Traders took heart from Mr Otmar Issing, chief economist of the Bundesbank,

GOVERNMENT BONDS

who said the German economic recovery was fragile. Observers said his comments might indicate that the Bundesbank's aversion to a lower repo rate was waning.

■ Italy had a half-day session, during which BTPs gained about ½ point, outperforming bunds and most other European markets. Liffe's September BTP future closed at 116.34, up 0.51, while in the cash market the 10-year yield spread of BTPs over bunds tightened by 6 basis points to 320 points.

■ US Treasury bonds yesterday recovered a small part of Tuesday's losses as data on productivity and business inventories came in line with analysts' expectations.

Near midday, the benchmark 30-year Treasury price had risen to 99 17/32, regaining 5/32 of the 1 1/32 it lost on Tuesday and sending the yield down one basis point to 6.784 per cent. At the short end of the maturity spectrum, the two-year note, which lost ⅛ on Tuesday, was 1/32 stronger at 100 5/32, yielding 5.940 per cent, and the September 30-year bond future was 5/32 higher at 111 15/32.

The Labor Department reported at mid-morning that non-farm productivity had fallen by 0.1 per cent in the second quarter. Although the decline has negative implications for the market, there was little reaction because the figure was widely anticipated. Also as expected, business inventories rose 0.1 per cent in June.

More important for the market will be today's release of figures on industrial production and capacity utilisation.

South Africa set to name managers for DM offering

By John Dludlu

The South African government is set to name lead managers for the planned launch of a D-Mark denominated bond next month.

The country's finance ministry said yesterday that a decision to issue a D-Mark bond had been "virtually taken" and that lead managers would probably be appointed by the end of this week. Commerzbank and Deutsche Morgan Grenfell are thought to be high on the list of candidates.

The maturity and size of the issue have still to be decided but a five-year to seven-year deal of about DM500m is expected. The proceeds will be used to finance an existing DM400m facility which matures in October this year.

The yield spread of South Africa's existing D-Mark bonds has recently widened from 130 to 260 basis points over German government bonds.

Mr Jos Gerson, chief economist at brokers Smith Borkum Hare in Cape Town, attributed the deterioration to technical factors linked to the forthcoming issue and said it did not reflect any political concern.

The government, which is also keen to establish benchmark issues for its debt in the US domestic market, is said to be talking to US banks about the possibility of a Yankee issue of about $250m. It is expected that this deal will also be launched later this year.

As measured by J.P. Morgan's South African bond index, South African domestic bonds showed a negative return of 7.33 per cent in dollar terms in July, following a positive overall return of 7.35 per cent in June.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.5830	–0.060	8.12	8.07	8.79
Austria		6.250	05/06	98.8400	–0.140	6.31	6.28	6.56
Belgium		7.000	05/06	102.6000	–0.110	6.62	6.63	6.78
Canada *		7.000	12/06	97.7600	–0.370	7.31	7.32	7.75
Denmark		8.000	03/06	104.9600	–0.140	7.25	7.23	7.40
France	BTAN	5.750	03/01	101.2500	+0.120	5.44	5.44	5.65
	OAT	7.250	04/06	106.3000	+0.050	6.35	6.32	6.51
Germany Bund		6.250	04/06	99.6400	–0.130	6.29	6.27	6.56
Ireland		8.000	08/06	103.0500	+0.050	7.55	7.55	7.83
Italy		9.500	02/06	0.0000	–	0.00†	9.23	9.20
Japan	No 140	6.600	06/01	119.4197	+0.020	2.16	2.22	2.29
	No 182	3.000	09/05	98.7564	+0.070	3.18	3.22	3.24
Netherlands		8.500	06/06	115.7500	–0.070	6.29	6.25	6.48
Portugal		11.875	02/05	118.5600	–	8.66	8.70	8.71
Spain		8.800	04/06	99.1900	+0.250	8.90	8.90	8.86
Sweden		6.000	02/05	86.9968	+0.270	8.16	8.23	8.24
UK Gilts		8.000	12/00	103–11	–8/32	7.08	7.02	7.19
		7.500	12/06	97–22	–12/32	7.83	7.75	7.93
		9.000	10/08	108–02	–15/32	7.95	7.86	8.04
US Treasury *		7.000	07/06	103–03	–11/32	6.53	6.47	6.81
		6.750	08/26	99–18	–22/32	6.78	6.74	6.96
ECU (French Govt)		7.500	04/05	104.5200	+0.150	6.79	6.78	6.95

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.97
Prime rate	8¼	Two month	-	Three year	6.15
Broker loan rate	7	Three month	5.16	Five year	6.33
Fed.funds	5¼	Six month	5.32	10-year	6.56
Fed.funds at intervention	-	One year	5.59	30-year	6.79

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.42	123.54	+0.12	123.58	123.28	58,096	189,570
Dec	122.16	122.24	+0.08	122.28	122.10	2,892	99,773
Mar	122.00	122.10	+0.10	122.06	122.00	412	7,709

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	-	0.16	-
121	-	-	-	0.02	0.28	0.73
122	1.58	-	1.30	0.06	0.60	-
123	0.70	0.36	0.80	0.16	-	-
124	0.16	-	0.46	-	-	-

Est. vol. total, Calls 2,572 Puts 6,335 . Previous day's open int., Calls 134,846 Puts 149,875.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.70	97.76	-0.10	97.82	97.65	92960	242145
Dec	96.84	96.89	-0.10	96.90	96.80	2143	17719

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9750	0.39	0.33	0.55	0.73	0.13	0.94	1.16	1.34
9800	0.13	0.19	0.37	0.54	0.37	1.30	1.48	1.65
9850	0.04	0.10	0.25	0.39	0.78	1.71	1.86	2.00

Est. vol. total, Calls 12689 Puts 8695. Previous day's open int., Calls 162402 Puts 169911

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.90	116.34	+0.51	116.39	115.86	24582	61603
Dec	115.50	115.67	+0.51	115.65	115.45	197	5264

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11600	0.63	1.58	0.29	1.92
11650	0.35	1.35	0.51	2.18
11700	0.17	1.14	0.83	2.47

Est. vol. total, Calls 2821 Puts 4584. Previous day's open int., Calls 84965 Puts 101777

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.20	100.46	+0.28	100.57	100.20	47,072	50,719
Dec	100.08	100.01	+0.31	100.08	100.01	1,083	1,040

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-30	107-19	-0-15	108-00	107-16	44210	152796
Dec	106-30	106-27	-0-15	106-30	106-30	0	1511

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
107	0-52	0-62	1-09	1-26	0-14	0-62	1-19	1-36
108	0-16	0-27	0-45	0-62	0-42	1-37	1-55	2-08
109	0-03	0-12	0-26	0-41	1-29	2-22	2-36	2-51

Est. vol. total, Calls 951 Puts 1085. Previous day's open int., Calls 34363 Puts 28006

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.86	92.02	+0.14	92.00	91.88	1,317	8,147
Dec	90.10	90.20	+0.12	90.18	90.06	430	887

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	110–30	111–00	+0–03	111–01	110–25	302,209	448,183
Dec	110–09	110–15	+0.02	110–16	110–09	1,964	30,050
Mar	109–28	110–00	–0.03	110–01	109–28	14	4,282

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	120.17	-	-	120.28	120.15	3232	n/a
Dec	118.89	-	-	119.00	118.89	2103	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 14	Day's change %	Tue Aug 13	Accrued interest	xd adj. ytd		Low coupon yield Aug 14	Aug 13	Yr. ago	Medium coupon yield Aug 14	Aug 13	Yr. ago	High coupon yield Aug 14	Aug 13	Yr. ago
1 Up to 5 years (22)	122.16	–0.06	122.23	2.86	5.04	5 yrs	7.21	7.17	7.85	7.28	7.23	7.85	7.34	7.31	7.95
2 5-15 years (20)	148.01	–0.27	148.42	2.98	6.39	15 yrs	8.05	8.00	8.24	8.06	8.01	8.27	8.12	8.08	8.36
3 Over 15 years (8)	162.39	–0.41	163.05	3.29	7.40	20 yrs	8.15	8.09	8.26	8.14	8.05	8.29	8.18	8.14	8.38
4 Irredeemables (6)	185.32	–0.88	186.97	3.01	7.36	Irred.†	8.20	8.12	8.34						
5 All stocks (56)	142.84	–0.22	143.16	2.98	6.42										

Index-linked							Inflation 5% Aug 14	Aug 13	Yr. ago	Inflation 10% Aug 14	Aug 13	Yr. ago
6 Up to 5 years (1)	199.59	0.02	199.55	2.69	4.43	Up to 5 yrs	2.55	2.58	3.41	1.04	1.03	1.79
7 Over 5 years (11)	189.06	–0.13	189.82	0.84	3.43	Over 5 yrs	3.72	3.71	3.62	3.52	3.51	3.44
8 All stocks (12)	189.17	–0.13	189.71	0.88	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 14	Aug 13	Aug 12	Aug 9	Aug 8	Yr ago	High*	Low*
Govt. Secs. (UK)	93.19	93.66	93.46	93.18	93.24	92.89	96.34	91.59
Fixed Interest	113.43	113.59	113.68	113.29	113.22	111.18	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7
Gilt Edged bargains	81.6	67.9	78.0	73.4	77.0
5-day average	75.8	75.3	78.6	79.8	81.1

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	0.91	5.82	220 11/16	—	220 11/16	212 5/8
Conversion 10pc 1996	9.91	5.77	100 29/32	—	104 1/8	100 29/32
Treas 13¼pc 1997‡‡	12.84	5.67	103 3/16	—	108 13/32	103 5/16
Exch 10½pc 1997	10.26	5.70	102 13/32xd	—	105 15/32	102 11/32
Treas Cnv 7pc 1997‡‡	6.92	5.73	101 1/8	—	101 1/2	99 3/4
Treas 8¾pc 1997‡‡	8.52	5.79	102 3/4	—	104 1/4	102 3/4
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	Low
Treas 8½pc 2000‡‡	8.12	7.76	104 11/32	–11/32	108 5/8	101 11/32
Treas 7½pc 2006‡‡	7.66	7.82	97 11/16	–3/8	101 13/32	94 25/32
Treas 7¾pc 2006‡‡	7.81	7.86	98 3/4	–3/8	103 1/4	96 3/8
Treas 8pc 2002-6‡‡	7.82	7.86	101 1/4	–1/4	104 1/2	97 7/8
Treas 11¾pc 2003-7	9.73	7.80	120 29/32	–1/2	125 3/4	118 13/32
Treas 8½pc 2007‡‡	8.15	7.90	104 3/8	–3/8	108 1/4	101 1/4
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	Low
Index-Linked	(b)					
4⅝pc '98‡‡ (135.6)	1.95	2.05	113 11/16	—	113 7/8	111 1/8
2½pc '01 (78.3)	2.88	3.41	182 5/8	–1/8	182 3/4	174 5/8
2½pc '03 (78.8)	3.17	3.55	177 7/8	–1/8	177 15/16	170 3/8
4⅜pc '04‡‡ (135.6)	3.33	3.59	118 1/8	–1/8	118 9/16	112 3/8
2pc '06 (69.5)	3.36	3.61	186 1/2	–3/8	186 1/2	179
2½pc '09 (78.8)	3.46	3.68	165 3/4	–3/8	167 3/4	161 1/8
[illegible]						

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 14

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅛	98⅝	–⅛	6.85
ABN Amro Bank 7¼ 05	1000	100⅝	101	–⅛	7.25
African Dev Bk 7⅜ 23	500	97⅞	98⅜	–⅛	7.58
Alberta Province 7⅜ 98	1000	102¾	103	–⅛	6.24
Asian Dev Bank 6¼ 05	750	98¼	98½	–⅛	6.92
Austria 8½ 00	400	105	105⅝	–⅛	6.48
Baden-Wuert L-Fin 8¼ 00	1000	104⅜	104⅝	–⅛	6.52
Banamex 7¾ 04	1000	82⅞	83⅞	–⅞	10.94
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Sweden 8 97	2500	105	105⅛		3.73
United Kingdom 7⅛ 97	5500	104	104⅛		3.65
Volkswagen Intl Fin 7 03	1000	103⅞	104⅛	–⅛	6.27
World Bank 0 15	2000	32	32⅛	+¼	6.07
World Bank 5¾ 03	3000	99¾	99⅞		5.81
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	800	36	37		5.36
Austria 4½ 00	1000	104½	104½		3.15
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	100⅞	101	–⅛	7.81
British Land 8⅞ 23 £	150	91⅜	91⅝	–⅛	10.02
Denmark 6¾ 98 £	800	100¼	100⅜		6.61
Depfa Finance 7⅛ 03 £	500	95⅜	95⅝	–¼	7.93
EIB 8 03 £	1000	101⅝	101¾	–¼	7.66
Glaxo Wellcome 8¾ 05 £	500	102½	102⅝	–¼	8.34
Hanson 10⅜ 97 £	500	104⅛	104⅜	–⅛	6.59
HSBC Holdings 11.69 02 £	153	116⅛	116⅜	–⅛	8.16
[illegible]					

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صورة من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark tumble brings franc relief

By Richard Adams

The D-Mark fell against a range of currencies in trading yesterday, taking the pressure off the French franc, after comments by Mr Otmar Issing, the Bundesbank's chief economist.

Mr Issing's remarks renewed speculation that the Bundesbank was likely to cut its key repurchase interest rate, currently at 3.30 per cent, at its next council meeting on August 20.

The D-Mark fell against the French franc by over a centime by the close in London. It ended at FFr3.418, down from FFr3.427 at Tuesday's close. The franc's resurgence from its doldrums last week was mirrored by French 10 year bonds, which outperformed German bunds by three basis points yesterday.

Some heavy action in D-Mark-dollar trades was also reported during the day in London, following news that German insurance giant Munich Reinsurance had been given the go-ahead to buy American Reinsurance for $3.3bn.

The D-Mark fell by more than half a pfennig against the dollar, which rose to DM1.4834 from DM1.4767. The D-Mark's retreat helped lift the lira to L1023 from L1027.

The pound enjoyed a good day against the D-Mark, ending a pfennig up at DM2.30 from DM2.29. But it barely moved against the dollar, closing at $1.550 from Tuesday's $1.551.

The start of a four-day holiday weekend today in France and elsewhere in Europe, and next week's Bundesbank meeting, encouraged the squaring of speculative and short-term positions, analysts said.

The South Korean won suffered a further steep decline against the dollar, as expected central bank intervention again did not take place. It ended the day against the dollar at Won821.30 overnight, having been Won816.50.

■ Mr Issing said in an interview published yesterday that the D-Mark's recent rise "does not fit into the current economic landscape." He said he was confident that M3 broad money supply growth would slow further, but that the German economic recovery was not yet sufficiently robust.

Mr Issing also said the mark's exchange rate was an "important element" in the Bundesbank's deliberations, although secondary to M3.

Some dealers took Mr Issing's remarks as indicating that a cut in the key repo rate could be likely next week, and sold D-Marks. But others contrasted Mr Issing's comments yesterday with his earlier remarks this week, which were more positive on the economy's growth. Trying to explain the difference, analysts at the National Australia Bank in London suggested "maybe it is a reflection of a genuine dilemma at the Bundesbank." Others thought only a "significant" drop in M3 would bring a cut in interest rates next week.

■ The franc's revival may have been aided by the comments yesterday of the French prime minister, Mr Alain Juppe. Mr Juppe interrupted his holiday to underline his government's commitment to reaching the 3 per cent budget deficit requirement of the Maastricht treaty for participation in monetary union.

Mr Juppe said there was no conflict between the central bank and the government, calling the franc's exchange rate worries a "storm in a teacup."

Mr Juppe's statement followed a denial by Mr Jean Arthuis, the finance minister, that the investigation into the running of state-owned bank Credit Lyonnais implicated Mr Jean-Claude Trichet, the head of the Bank of France.

■ Purchases of dollars by Germany's Munich Re, for its $3.3bn takeover bid for US reinsurance firm American Re, was said to have helped the US currency against the D-Mark.

But some London analysts were not convinced. Mr Peter Stoneham, a senior foreign exchange analyst, said: "My feeling is that the German company has sufficient existing dollar income to cover the purchase. The need for [it] to risk playing the foreign exchange market is unlikely."

■ Pound in New York

Aug 14	—Latest—	—Prev. close—
£ spot	1.5485	1.5495
1 mth	1.5481	1.5490
3 mth	1.5474	1.5482
1 yr	1.5456	1.5471

■ OTHER CURRENCIES

Aug 14	£	$
Czech Rp	41.2533 - 41.3109	26.6150 - 26.6350
Hungary	233.663 - 233.891	150.750 - 150.800
Iran	4653.00 - 4650.00	3000.00 - 3000.00
Kuwait	0.4638 - 0.4642	0.2992 - 0.2993
Poland	4.2331 - 4.2389	2.7310 - 2.7330
Russia	8201.05 - 8210.58	5297.00 - 5294.00
U.A.E.	5.6919 - 5.6964	3.6722 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Aug 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1852	+0.0665	755 - 948	16.1948	16.1029	16.1599	2.3	16.0789	2.6	-	-	108.4
Belgium	(BFr)	47.3895	+0.1786	634 - 156	47.4300	47.1270	47.2945	2.4	47.1045	2.4	46.5145	2.3	107.3
Denmark	(DKr)	8.8966	+0.0206	922 - 010	8.9048	8.8567	8.8828	1.9	8.8626	1.5	8.7547	1.6	106.0
Finland	(FM)	6.9026	+0.0081	949 - 103	6.9160	6.8690	6.8982	0.8	6.8901	0.7	-	-	86.2
France	(FFr)	7.8611	+0.0143	574 - 648	7.8677	7.8349	7.8489	1.9	7.8262	1.8	7.7328	1.6	108.9
Germany	(DM)	2.3000	+0.0096	988 - 012	2.3032	2.2868	2.2965	2.3	2.2895	2.3	2.2477	2.3	109.4
Greece	(Dr)	367.788	+1.304	585 - 990	390.146	365.735	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9638	+0.001	630 - 646	0.9650	0.9623	0.9633	0.6	0.9621	0.7	0.9576	0.6	99.4
Italy	(L)	2353.04	+1.49	151 - 457	2357.60	2344.81	2358.59	-2.8	2368.44	-2.6	2400.94	-2.0	76.2
Luxembourg	(LFr)	47.3895	+0.1786	634 - 156	47.4300	47.1270	47.2945	2.4	47.1045	2.4	46.5145	2.3	107.3
Netherlands	(Fl)	2.5809	+0.011	794 - 824	2.5843	2.5662	2.5748	2.8	2.5629	2.8	2.5151	2.5	107.5
Norway	(NKr)	9.9433	+0.0289	378 - 487	9.9496	9.8863	9.9348	1.0	9.9175	1.0	9.8348	1.1	98.6
Portugal	(Es)	236.102	+0.575	986 - 217	236.392	235.297	236.527	-2.2	237.492	-2.3	-	-	95.7
Spain	(Pta)	195.200	+0.155	114 - 286	195.781	194.035	195.48	-1.8	195.975	-1.6	197.375	-1.1	80.6
Sweden	(SKr)	10.2970	-0.0116	875 - 064	10.3087	10.2680	10.2973	0.0	10.2974	0.0	10.2954	0.0	88.7
Switzerland	(SFr)	1.8678	+0.0061	662 - 690	1.8704	1.8590	1.8626	3.2	1.8518	3.4	1.8096	3.4	113.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.8
Ecu	-	1.2233	+0.0024	225 - 240	1.2264	1.2187	1.222	1.3	1.219	1.4	1.2057	1.4	-
SDR†	-	1.061500	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5484	-0.0005	477 - 490	1.5507	1.5473	-	-	-	-	-	-	-
Brazil	(R$)	1.5699	-0.0002	692 - 705	1.5707	1.5672	-	-	-	-	-	-	-
Canada	(C$)	2.1308	-0.0006	297 - 318	2.1321	2.1261	2.1301	0.4	2.1284	0.6	2.1183	0.6	83.7
Mexico	(New Peso)	11.6084	-0.0087	002 - 165	11.6194	11.5861	-	-	-	-	-	-	-
USA	($)	1.5505	-0.0006	500 - 510	1.5510	1.5475	1.55	0.4	1.5494	0.3	1.55	0.0	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9895	-0.0012	882 - 908	1.9910	1.9802	1.9921	-1.5	1.9971	-1.5	2.0223	-1.7	91.4
Hong Kong	(HK$)	11.9908	-0.0046	882 - 934	11.9973	11.9679	11.9827	0.8	11.9711	0.7	11.9513	0.3	-
India	(Rs)	55.1979	-0.0196	700 - 258	55.5340	54.8670	-	-	-	-	-	-	-
Israel	(Shk)	4.8839	+0.0057	820 - 858	4.8891	4.8609	-	-	-	-	-	-	-
Japan	(Y)	167.158	+0.235	059 - 380	167.410	166.680	166.434	5.2	164.944	5.3	158.529	5.2	134.6
Malaysia	(M$)	3.8690	+0.0009	669 - 710	3.8715	3.8613	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2597	-0.0058	578 - 616	2.2618	2.2516	2.2647	-2.7	2.2742	-2.6	2.308	-2.1	107.4
Philippines	(Peso)	40.6154	+0.0011	480 - 827	40.6909	40.5342	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8154	-0.002	133 - 175	5.8178	5.8041	-	-	-	-	-	-	-
Singapore	(S$)	2.1883	-0.0022	875 - 905	2.1910	2.1855	-	-	-	-	-	-	-
South Africa	(R)	7.0626	+0.0266	564 - 687	7.0689	7.0317	-	-	-	-	-	-	-
South Korea	(Won)	1273.43	+7	388 - 299	1274.10	1265.70	-	-	-	-	-	-	-
Taiwan	(T$)	42.6179	-0.0463	018 - 339	42.5345	42.5377	-	-	-	-	-	-	-
Thailand	(Bt)	39.1804	-0.0201	639 - 969	39.1970	39.1240	-	-	-	-	-	-	-

† Rates for Aug 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4387	+0.0476	308 - 415	10.4575	10.3910	10.4192	2.2	10.3772	2.4	10.1897	2.3	105.4
Belgium	(BFr)	30.5640	+0.126	570 - 710	30.6150	30.4340	30.509	2.2	30.394	2.2	29.854	2.3	107.1
Denmark	(DKr)	5.7379	+0.0211	358 - 399	5.7470	5.7170	5.7304	1.8	5.7134	1.7	5.6444	1.6	107.4
Finland	(FM)	4.4519	+0.0008	483 - 554	4.4656	4.4382	4.4454	1.8	4.4384	1.7	4.3879	1.4	85.5
France	(FFr)	5.0701	+0.0111	693 - 708	5.0782	5.0580	5.0632	1.6	5.0489	1.7	4.9811	1.8	108.4
Germany	(DM)	1.4834	+0.0067	831 - 837	1.4860	1.4763	1.4808	2.0	1.4751	2.2	1.4488	2.5	109.1
Greece	(Dr)	237.205	+0.925	150 - 260	252.000	236.130	238.88	-8.5	242.23	-8.5	256.205	-8.0	68.9
Ireland	(I£)	1.6087	-0.0024	079 - 095	1.6095	1.6056	1.6093	-0.4	1.6101	-0.4	1.6017	0.4	-
Italy	(L)	1517.60	+1.6	710 - 810	1522.34	1514.15	1522.35	-3.8	1530.5	-3.4	1553.25	-2.3	75.7
Luxembourg	(LFr)	30.5640	+0.126	570 - 710	30.6150	30.4340	30.511	2.1	30.4045	2.1	29.924	2.1	107.1
Netherlands	(Fl)	1.6646	+0.0077	641 - 650	1.6685	1.6571	1.6613	2.4	1.6542	2.5	1.6224	2.5	107.1
Norway	(NKr)	6.4130	+0.0209	115 - 144	6.4231	6.3866	6.4101	0.6	6.4045	0.5	6.368	0.7	97.9
Portugal	(Es)	152.275	+0.425	250 - 300	152.580	152.050	152.59	-2.5	153.18	-2.4	155.325	-2.0	95.7
Spain	(Pta)	125.895	+0.145	880 - 910	126.400	125.760	126.145	-2.4	126.575	-2.2	128.115	-1.8	80.2
Sweden	(SKr)	6.6411	-0.0053	371 - 450	6.6538	6.6309	6.6402	0.2	6.6425	-0.1	6.6178	0.4	87.9
Switzerland	(SFr)	1.2045	+0.0044	040 - 050	1.2075	1.1999	1.2009	3.5	1.1985	3.7	1.16	3.7	112.8
UK	(£)	1.5505	-0.0006	500 - 510	1.5510	1.5475	1.55	0.4	1.5494	0.3	1.55	0.0	84.1
Ecu	-	1.2676	-0.0029	672 - 679	1.2706	1.2630	1.2684	-0.7	1.27	-0.8	1.2769	-0.8	-
SDR†	-	0.68490	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9999	0.9982	-	-	-	-	-	-	-
Brazil	(R$)	1.0125	+0.0002	124 - 126	1.0128	1.0123	-	-	-	-	-	-	-
Canada	(C$)	1.3743	+0.0001	740 - 745	1.3761	1.3736	1.3741	0.1	1.3744	0.0	1.3772	-0.2	82.8
Mexico	(New Peso)	7.4875	-0.003	840 - 910	7.4920	7.4830	7.649	-25.9	7.834	-18.5	9.6975	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2830	-0.0004	827 - 835	1.2838	1.2825	1.285	-1.9	1.2885	-1.7	1.3072	-1.9	92.5
Hong Kong	(HK$)	7.7335	-0.0003	330 - 340	7.7352	7.7325	7.7342	-0.1	7.736	-0.1	7.763	-0.4	-
India	(Rs)	35.6000	-	000 - 000	35.8100	35.3900	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1499	+0.0055	497 - 501	3.1520	3.1383	-	-	-	-	-	-	-
Japan	(Y)	107.810	+0.19	780 - 840	107.980	107.590	107.365	5.0	106.465	5.0	102.725	4.7	135.1
Malaysia	(M$)	2.4953	+0.0014	948 - 958	2.4959	2.4945	2.4962	-0.4	2.5023	-1.1	2.5258	-1.2	-
New Zealand	(NZ$)	1.4573	-0.0032	567 - 582	1.4583	1.4550	1.4604	-2.6	1.4662	-2.4	1.4908	-2.3	-
Philippines	(Peso)	26.1950	+0.01	600 - 300	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	505 - 508	3.7509	3.7504	3.7511	-0.1	3.7519	-0.1	3.7552	-0.1	-
Singapore	(S$)	1.4120	-0.0009	115 - 125	1.4130	1.4110	1.4084	3.0	1.4024	2.7	1.377	2.5	-
South Africa	(R)	4.5550	+0.02	525 - 575	4.5590	4.5400	4.6025	-12.5	4.6925	-12.1	5.03	-10.4	-
South Korea	(Won)	821.300	+4.8	200 - 400	821.500	820.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.4885	-0.0195	850 - 880	27.5100	27.4840	27.4915	-0.2	27.4965	-0.1	-	-	-
Thailand	(Bt)	25.2695	-0.004	670 - 720	25.2930	25.2650	25.3682	-4.7	25.572	-4.8	26.4545	-4.7	-

† SDR rate per $ for Aug 13 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 13: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅜	3⅛	3⅛	7.00	2.50	-
week ago	3½	3⅛	3⅜	3⅛	3⅞	7.00	2.50	-
France	3⅞	3⅞	4	4⅛	4⅛	3.55	-	4.75
week ago	3⅞	3⅞	3⅞	4⅛	4⅛	3.55	-	4.75
Germany	3¼	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.30
week ago	3⅛	3⅛	3⅜	3⅜	3⅛	4.50	2.50	3.30
Ireland	5⅝	5⅞	5⅞	6	6⅛	-	-	6.25
week ago	5⅞	5⅞	5⅞	5¾	6	-	-	6.25
Italy	8⅞	8⅞	8⅞	8⅞	8⅞	-	8.25	9.03
week ago	8⅞	8⅞	8⅞	8⅞	8½	-	8.25	8.56
Netherlands	2⅞	2⅞	3⅛	3¼	3⅜	-	3.00	3.30
week ago	2⅞	2⅞	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	2⅛	2⅛	2¼	2⅜	2½	5.00	1.50	-
week ago	2¼	2¼	2⅛	2½	2⅝	5.00	1.50	-
US	5⅜	5⅛	5⅜	5⅞	5⅞	-	5.00	-
week ago	5¼	5⅛	5⅜	5⅞	6⅛	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5⅞	5⅞	-	-	-
week ago	-	5⅞	5⅞	5⅞	5⅞	-	-	-
US Dollar CDs	-	5.10	5.18	5.27	5.48	-	-	-
week ago	-	5.10	5.21	5.31	5.51	-	-	-
ECU Linked Ds	-	4⅜	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅜	4⅜	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3⅛	3⅜ - 3⅛	3⅛ - 3¼	3⅛ - 3⅛	3½ - 3⅜	3⅝ - 3½
Danish Krone	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞	4⅛ - 4⅛
D-Mark	3⅜ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3¼	3½ - 3⅜
Dutch Guilder	3 - 2⅞	3 - 2⅞	3 - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛
French Franc	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3⅞	4⅛ - 4⅛	4¼ - 4⅛	4⅜ - 4⅛
Portuguese Esc.	7⅞ - 7⅛	7⅞ - 7⅛	7½ - 7⅜	7⅛ - 7⅛	7⅜ - 7¼	7⅛ - 7¼
Spanish Peseta	7⅛ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛
Sterling	5⅛ - 4⅞	5⅞ - 5⅛	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞	6⅛ - 6
Swiss Franc	2⅛ - 2⅛	2⅜ - 2¼	2⅜ - 2⅛	2⅜ - 2¼	2⅛ - 2⅜	2⅛ - 2⅛
Can. Dollar	4¼ - 4⅛	4¼ - 4⅛	4¼ - 4⅛	4⅛ - 4⅛	4⅜ - 4¼	4⅝ - 4⅛
US Dollar	5⅜ - 5¼	5⅜ - 5⅛	5⅜ - 5⅛	5½ - 5⅜	5⅝ - 5⅛	5⅞ - 5⅝
Italian Lira	8⅝ - 8½	8⅞ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅞	8⅝ - 8⅞	8⅛ - 8⅞
Yen	⅝ - ¼	⅜ - ⅛	⅛ - ⅛	½ - ⅜	⅝ - ½	⅝ - ¾
Asian $Sing	3⅛ - 2⅞	3⅛ - 3	3⅜ - 3¼	3⅜ - 3¼	3⅛ - 3⅛	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.71	95.80	+0.14	95.81	95.69	54,225	54,495
Dec	95.74	95.88	+0.16	95.87	95.73	26,117	48,799
Mar	95.76	95.88	+0.13	95.88	95.75	10,690	33,010

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.69	96.69	-	96.70	96.68	18078	166545
Dec	96.63	96.65	+0.01	96.66	96.63	17424	234862
Mar	96.44	96.45	+0.01	96.47	96.43	14114	193935
Jun	96.17	96.18	+0.01	96.19	96.16	8788	133130

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.33	91.40	+0.08	91.44	91.33	13606	56999
Dec	91.82	91.87	+0.06	91.90	91.82	12131	44546
Mar	92.11	92.11	-0.05	92.15	92.09	2265	24686
Jun	92.19	92.16	-0.03	92.19	92.14	1045	14940

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.66	97.68	-0.01	97.70	97.63	3419	30313
Dec	97.59	97.58	-0.02	97.59	97.53	2263	27530
Mar	97.36	97.38	-0.03	97.40	97.34	579	10729
Jun	97.10	97.12	-0.01	97.12	97.07	284	3390

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.29	99.29	-0.01	99.29	99.29	500	n/a
Dec	99.06	99.06	-0.02	99.06	99.06	440	n/a
Mar	-	98.82	-0.04	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.51	95.54	+0.05	95.54	95.51	765	9413
Dec	95.53	95.54	+0.05	95.54	95.50	556	8238
Mar	95.46	95.46	+0.03	95.46	95.44	329	3230
Jun	95.28	95.28	+0.02	95.29	95.28	42	2859

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.60	4.853	2.034	4965	5.446	20.98	498.2	411.9	21.73	3.942	2.110	4.497	3.271	352.6	2.581
Denmark	(DKr)	53.27	10	8.836	2.585	1.084	2645	2.901	11.18	265.4	219.4	11.58	2.100	1.124	2.395	1.742	187.8	1.375
France	(FFr)	60.28	11.32	10	2.926	1.226	2993	3.283	12.65	300.3	248.3	13.10	2.376	1.272	2.711	1.972	212.6	1.556
Germany	(DM)	20.60	3.868	3.418	1	0.419	1023	1.122	4.323	102.7	84.87	4.476	0.812	0.435	0.927	0.674	72.66	0.532
Ireland	(I£)	49.16	9.229	8.155	2.386	1	2441	2.677	10.31	244.9	202.5	10.68	1.938	1.037	2.211	1.608	173.3	1.269
Italy	(L)	2.014	0.378	0.334	0.098	0.041	100.	0.110	0.423	10.03	8.296	0.438	0.079	0.042	0.091	0.066	7.102	0.052
Netherlands	(Fl)	18.36	3.447	3.046	0.891	0.373	911.7	1	3.852	91.48	75.63	3.991	0.724	0.387	0.826	0.601	64.74	0.474
Norway	(NKr)	47.66	8.948	7.906	2.313	0.970	2366	2.596	10	237.5	196.3	10.36	1.879	1.006	2.143	1.559	168.1	1.230
Portugal	(Es)	20.07	3.768	3.330	0.974	0.408	996.6	1.093	4.211	100.	82.68	4.363	0.791	0.424	0.903	0.657	70.78	0.518
Spain	(Pta)	24.28	4.558	4.027	1.178	0.494	1205	1.322	5.094	121.0	100.	5.277	0.957	0.512	1.092	0.794	85.60	0.627
Sweden	(SKr)	46.01	8.638	7.632	2.233	0.936	2284	2.506	9.653	229.2	189.5	10	1.814	0.971	2.069	1.505	162.2	1.187
Switzerland	(SFr)	25.37	4.763	4.208	1.231	0.516	1260	1.382	5.323	126.4	104.5	5.514	1	0.535	1.141	0.830	89.45	0.655
UK	(£)	47.39	8.897	7.861	2.300	0.964	2353	2.581	9.943	236.1	195.2	10.30	1.868	1	2.131	1.550	167.1	1.223
Canada	(C$)	22.24	4.175	3.689	1.079	0.452	1104	1.211	4.666	110.8	91.60	4.833	0.877	0.469	1	0.727	78.41	0.574
US	($)	30.57	5.740	5.072	1.484	0.622	1518	1.665	6.415	152.3	125.9	6.645	1.205	0.645	1.375	1	107.8	0.789
Japan	(Y)	28.36	5.324	4.704	1.376	0.577	1408	1.545	5.950	141.3	116.8	6.164	1.118	0.598	1.275	0.928	100.	0.732
Ecu		38.75	7.275	6.428	1.881	0.788	1924	2.110	8.130	193.0	159.6	8.422	1.527	0.816	1.742	1.267	136.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6788	0.6749	-0.0041	0.6788	0.6742	8,373	71,782
Dec	0.6800	0.6789	-0.0039	0.6800	0.6788	842	4,517
Mar	-	0.6840	-0.0030	-	0.6840	21	633

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8370	0.8317	-0.0056	0.8372	0.8301	9,126	36,353
Dec	0.8390	0.8387	-0.0051	0.8390	0.8385	660	2,734
Mar	-	0.8506	-	-	-	13	89

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9334	0.9318	-0.0018	0.9334	0.9304	5,853	61,966
Dec	0.9434	0.9435	-0.0018	0.9435	0.9430	167	8,140
Mar	-	0.9569	-	-	-	1	132

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5492	1.5490	-0.0002	1.5498	1.5474	4,995	48,727
Dec	-	1.5480	-0.0004	-	1.5480	22	1,255
Mar	-	1.5490	-0.0002	-	1.5480	3	9

UK INTEREST RATES

LONDON MONEY RATES

Aug 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 4	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	6⅛ - 6⅛
Sterling CDs	-	-	5¾ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	6 - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅝ - 5⅞	5⅝ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Discount Market deps	5¾ - 5½	5¾ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 9, 5.5660pc. ECGD fixed rate Stg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 6.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.19	94.17	-0.04	94.21	94.16	13006	71291
Dec	94.13	94.10	-0.05	94.16	94.06	18343	109852
Mar	93.92	93.87	-0.07	93.95	93.84	14729	73210
Jun	93.58	93.52	-0.08	93.59	93.48	11828	49527
Sep	93.20	93.14	-0.07	93.21	93.11	4844	32913

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9400	0.18	0.22	0.22	0.01	0.12	0.35
9425	0.02	0.10	0.13	0.10	0.25	0.51
9450	0	0.03	0.07	0.33	0.43	0.70

Est. vol. total, Calls 2523 Puts 8192. Previous day's open int., Calls 144446 Puts 133679

EMS EUROPEAN CURRENCY UNIT RATES

Aug 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13379	+0.00255	-0.85	2.36	6
Spain	162.493	161.501	-0.212	-0.61	2.11	4
Belgium	39.3960	39.1867	+0.0407	-0.53	2.03	4
Germany	1.91007	1.90157	+0.00238	-0.45	1.94	4
Austria	13.4383	13.3820	+0.0171	-0.42	1.91	3
Portugal	195.792	195.232	-0.112	-0.29	1.78	2
Ireland	0.792214	0.797185	-0.001511	0.63	0.85	-4
Denmark	7.28580	7.35420	+0.00132	0.94	0.54	-6
France	6.40608	6.50132	-0.00372	1.49	0.00	-13
NON ERM MEMBERS						
Greece	292.867	303.985	+0.112	3.80	-2.23	-
Italy	2106.15	1945.46	-2.56	-7.63	9.87	-
UK	0.786652	0.827343	-0.0026	5.17	-3.50	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.530	1.92	2.15	2.44	-	0.19	0.54
1.540	0.96	1.41	1.78	0.08	0.45	0.87
1.550	0.23	0.83	1.23	0.20	0.88	1.33
1.560	-	0.43	0.81	0.97	1.48	1.90
1.570	-	0.18	0.49	-	2.23	-

Previous day's vol., Calls 4,791 Puts 3,922. Prev. day's open int., Calls 171,261 Puts 155,145

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.43	94.43	-0.01	94.44	94.42	60,030	385,191
Dec	94.19	94.19	-	94.20	94.17	102,358	468,241
Mar	94.10	94.09	-0.01	94.10	94.07	77,625	296,344

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.93	94.93	-	94.93	94.93	232	7,444
Dec	94.78	94.78	-0.01	94.78	94.78	107	1,706
Mar	-	94.68	-0.01	-	94.68	47	649

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9650	0.20	0.21	0.20	0.24	0.01	0.02	0.05	0.09
9675	0.01	0.04	0.07	0.10	0.07	0.10	0.17	0.20
9700	0	0	0.02	0.03	0.31	0.31	0.37	0.38

Est. vol. total, Calls 10770 Puts 3164. Previous day's open int., Calls 357194 Puts 307725

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9775	0.04	0.12	0.13	0.11	0.29	0.50
9800	0.02	0.06	0.08	0.34	0.48	0.68

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9468 Puts 6140

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9125	0.24	0.73	1.01	0.09	0.11	0.15
9150	0.11	0.55	0.84	0.21	0.18	0.22
9175	0.04	0.38	0.64	0.39	0.26	0.28

Est. vol. total, Calls 1580 Puts 820. Previous day's open int., Calls 75863 Puts 34753

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	6.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Meghraj Bank Ltd	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

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To the shareholders of
GN Great Nordic Holding Ltd.

The ANNUAL GENERAL MEETING of the Company will be held on Thursday 29 August 1996 at 3.00 pm at the Company's registered office at Kongens Nytorv 26, DK-1016 Copenhagen K, to transact the following business:

a. To receive and consider the Annual Report for the year ended 30 June 1996.

b. To receive and adopt the annual financial statements and discharge the Board of Directors and the Executive Management from their obligations.

c. To consider and, if thought fit, pass a resolution for the distribution of the net profit for the year, including the declaration of a dividend on the shares of the Company.

d. To consider and, if thought fit, pass a resolution proposed by the Board of Directors that the Company be entitled to acquire up to 10 per cent of its own shares.

e. To elect Directors in the place of those retiring.

f. To elect two auditors, including at least one state-authorised public accountant, to audit the financial statements for the current financial year.

From Wednesday 21 August 1996 the agenda and the full and complete resolutions to be proposed at the Annual General Meeting, as well as the annual financial statements, together with the Auditors' Report and the Report of the Directors, will be available for inspection by the shareholders at the Company's registered office, Kongens Nytorv 26, third floor, DK-1016 Copenhagen K, and at the address of the Company's bankers in London. Not later than eight days prior to the Annual General Meeting the said material will be posted to any shareholder on the Company's register of members to such address as has been given to the Company.

Admission cards to the Annual General Meeting will be available on request from the Company's office from Monday to Friday between 10 am and 4 pm, up to five days prior to the Annual General Meeting, to any shareholder who can prove good title to his shares. As far as bearer shares are concerned, the shareholder shall prove his title to such shares by presenting a statement of his holding of Company shares as of 19 August 1996 issued by the bank in which his shares are held.

Any right to vote shall be conditional upon the voting share being registered in the name of the shareholder and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired the share by way of transfer, the share shall additionally have been registered in the name of the shareholder for not less than three months prior to the date of the Annual General Meeting.

Copenhagen, 14 August 1996

The Board of Directors

Notice to the Holders of
U.S. $1,500,000,000
United Mexican States
Libor/Cetes Notes
Due November 27, 1996
The applicable Cete rate for the period of August 7, 1996 to September 4, 1996 is 26.97% annual.
By: The Chase Manhattan Bank New York, Fiscal/Paying Agent

BANQUE NATIONALE DE PARIS
Programme for the Issuance of Debt Instruments
GBP 10,000,000
Floating to Fixed Rate Notes due 1998
Series 59 Tranche 1
Notice is hereby given that the rate of interest for the period from August 12th, 1996 to November 12th, 1996 has been fixed at 6.175 per cent. per annum. The coupon amount due for the period is GBP 1,556.44 per denomination of GBP 100,000 and is payable on the interest payment date November 12th, 1996.
BNP The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

COMMODITIES AND AGRICULTURE

World platinum industry 'under siege'

By Kenneth Gooding, Mining Correspondent

The platinum industry was under siege, its future in the hands of Russia and that country's ability to sell big quantities of platinum and palladium from its stocks, said Mr Michael McMahon, chairman of Impala Platinum, the South African group, when outlining the company's views on market conditions.

In a generally downbeat presentation, he said the conditions for a recovery in producers' fortunes were likely to occur only in the medium to long term. "Until that time it is expected that US dollar prices [for platinum and palladium] will show only modest growth, if any, from current levels."

Mr McMahon said that, while the fundamentals of the platinum business remained strong, two conditions were necessary for recovery from its present depressed state:

● Most importantly, Russian sales of platinum from its stocks must end. This had been the major cause of a platinum market surplus for five consecutive years and "seems likely to continue for a year or two more".

● The industry needed to reinforce and encourage the recent trend whereby makers of car anti-pollution catalysts were re-evaluating their "headlong dash" into palladium.

The switch from platinum to palladium by the autocatalyst makers played into the hands of Russia, by far the biggest palladium producer.

Impala is forecasting that Russian palladium sales to the west, which were 3.3m troy ounces in 1994, will reach 4.5m ounces this year and account for 73 per cent of total supply. Mr McMahon said record demand last year for palladium – global sales reached 6.41m ounces – was easily met by increased Russian sales.

Impala sees Russian platinum exports slipping slightly this year, from 1.25m ounces to 1.125m, representing 21 per cent of total supply. "We are still looking at a surplus [of supply] and we're sitting here with fairly weak prices," said Mr McMahon.

He said that in Impala's last financial year, to June 30, platinum prices fell steadily, dropping well below Impala's expectations. "It is entirely a function of the fact that the Russians were prepared to sell at $400 [an ounce]. We thought that their floor was $415 to $420."

He said, however, that there were signs that Russian price expectations had risen since the presidential elections.

MARKET BALANCE ('000 troy ounces)

	1996	1995	1994		1996	1995	1994
SUPPLY				DEMAND			
PLATINUM							
South Africa	3,435	3,350	3,155	Automobile	2,070	2,015	1,915
Russia	1,125	1,250	1,020	Jewellery	1,840	1,800	1,720
Other	350	335	360	Industrial	1,020	960	810
Recycling	400	360	320	Investment	300	345	395
Total	5,310	5,295	4,855	Total	5,230	5,120	4,840
Surplus	80	175	15				
PALLADIUM							
South Africa	1,640	1,645	1,490	Automobile	2,340	1,715	1,125
Russia	4,500	4,100	3,300	Dental	1,340	1,300	1,265
Other	645	575	510	Electronics	2,600	2,650	2,230
Recycling	110	90	80	Other	550	535	505
Total	6,895	6,410	5,380	Total	6,830	6,200	5,125
Surplus	65	210	255				

Source: Impala Platinum

FAO prepares for final push against rinderpest

The devastating cattle disease could soon go the way of smallpox, writes Michael Pickstock

Long before "mad cow disease" reared its ugly head, Britain's cattle herds were ravaged by a far more devastating disease – more disastrous even than foot and mouth. This was rinderpest.

Now faded from public and farming consciousness in western Europe, rinderpest (then called cattle plague) entered Britain in 1865 in a ship load of cattle from the Baltic. In a matter of months it left more carcasses and human misery in its wake than BSE is ever likely to do. The disease is now restricted to a handful of locations in Africa and Asia and could, like human smallpox, be entirely eradicated.

The relevance of rinderpest to western farmers, politicians and public is that while the disease persists even in the smallest pockets in the remotest areas, the rest of the world remains at risk from infection. As more open trading policies and more modern transport systems promote and enable rapid and long-distance movement of goods it becomes imperative to provide importers with the assurance that animals and animal products are free of disease.

In Africa and Asia livestock are recognised as being an essential part of sustainable agriculture and as having a central role in helping to feed fast growing populations. The minor aid donors emphasise not only the contribution that livestock make in the form of milk and meat, dung for manure and fuel and as draught animals but also the opportunities they provide for employment and value-added processing of dairy products through the development of small rural based agro-industries.

All this is at risk while rinderpest persists. In the 1880s, when the disease entered Africa, it swept from Somalia to the Cape killing 80 per cent of cattle and draught oxen and also buffalo and several other species of wildlife. It left thousands of farmers ruined and the ox-cart transport systems without motive power. A century later, in the 1980s, rinderpest was almost eliminated from Africa by a successful vaccination campaign; but control measures were stopped too soon. The disease broke out again and cut a swathe from east to west Africa killing about 1m cattle and costing affected countries more than US$2bn dollars.

The subsequent Pan African Rinderpest Campaign has eradicated the disease from west and central Africa and no outbreaks have been reported for eight years. Rinderpest is now restricted to a few pockets in southern Sudan and Ethiopia and on the Kenya-Somalia and Kenya-Uganda-Sudan borders.

In Asia, India expects soon to clear its last pocket of infection from the far south of the country, while all the counties east of India are already free of the disease. Infection remains in Pakistan, Afghanistan and parts of the Arabian peninsula. The UN's Food and Agriculture Organisation believes that it is possible to eradicate rinderpest from all remaining areas of infection by 2010.

The FAO hosted a meeting in Rome recently to consider how best to administer a *coup de grace* to rinderpest. Vets and government officials from all affected regions met, together with experts from Europe and Australasia to work out a final strategy.

Veterinary science has deployed two major weapons against the disease with commendable success: a highly-effective live, heat-stable vaccine, which can survive days without refrigeration; and a system for rapid analysis of samples taken from animals to establish whether they carry immune antibodies as a result of successful vaccination. Immunity lasts for life but the challenge has always been to reach all the cattle in a region, especially the herds of nomadic pastoralists. A recently-introduced technique, called the ELISA test, can now establish without doubt whether animals are immune or still susceptible.

The FAO has worked with national governments and through regional bodies such as the Organisation of African Unity to establish procedures, train veterinary workers promote people's participation, provide vaccine and assist with ELISA testing.

The irony of the situation is that livestock populations free of rinderpest for several years no longer need vaccination but, while this saves considerable expenditure, it leaves more and more animals totally without immunity and vulnerable to a catastrophic re-introduction of the disease.

It has been shown that it is far less costly to eradicate rinderpest than to continue a policy of containment.

Referring to the need for all national governments where rinderpest persists to give final eradication efforts full commitment and priority, one vet from Africa recently observed: "All that stands in the way of rinderpest going the way of human smallpox are politics and people".

Anglo American agrees to sell part of Zimbabwe nickel company stake

By Tony Hawkins in Harare

In a surprise move Anglo American Corporation has offered to sell a minority stake in its Zimbabwe nickel producer, Bindura Nickel Corporation.

Although Anglo executives had said earlier there could be no question of their parting with a core mining investment like Bindura, the South African mining house has agreed to do so on the understanding that it retains at least 50 per cent of the shares.

Anglo owns about 70 per cent of the shares in Bindura, the balance being held by private investors, including almost 10 per cent by foreign shareholders. Anglo American Corporation Zimbabwe said this week it had proposed that the Zimbabwe government – or its nominees – should take an equity stake in BNC. The proceeds of the sale of the shares to the government would be reinvested in BNC, apparently in the development of the Hunters Road nickel deposit.

The deal is seen as part of the Zimbabwe government's "indigenisation" programme and is likely to be followed by others in the mining and other sectors. Just how the government will finance its purchase is unclear. In the recent budget the minister of finance projected revenue from privatisation sales of just over US$100m, but there was no mention of further government purchases of privately-owned businesses. Zimbabwe's public sector debt currently exceeds its GDP and the country has budgeted for an 8.5 per cent deficit in the fiscal year to June 1997. Bindura Nickel is capitalised at just over US$140m and the purchase by the state of a substantial interest would seriously dilute the projected privatisation revenues.

While the AACZ statement says both parties believe the deal is "an important step in the development and growth of the Zimbabwe economy", the impression in business circles is that it will do more to deter than to encourage foreign investors while also further undermining the fragile state of the country's public finances.

Earlier this year President Robert Mugabe attacked Anglo Zimbabwe for its failure to appoint a black chief executive to replace retiring managing director, Mr Roy Lander. Anglo is seeking a work permit for an expatriate, Mr Philip Boum, to replace Mr Lander, but this was publicly rejected by industry minister, Mr Nathan Shamyuyarira last month.

A likely *quid pro quo* for the sale of BNC shares is a permit for Mr Boum.

In the half-year to June 30, BNC earned US$14m before tax on nickel sales of 5 190 tonnes, warning that because of weak stainless steel demand, profits for the full year would be lower than last year's US$27m.

LME urged to give more data

By Kenneth Gooding

The World Bureau of Metal Statistics has joined in the debate about the future of the London Metal Exchange following the Sumitomo scandal by calling for the LME to provide more information about stocks in its authorised warehouses around the world.

Ideally, full disclosure of the origin and destination of all the metal involved is required, says Mr Lloyd Davies, WBMS general manager, in the latest issue of World Metal Statistics. Realistically, however, the most that might be expected would be for countries of origin to be revealed.

Also, information about the volume of "hidden stocks" of so-called off-warrant metal in LME warehouses "would be valuable".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1480.5-81.5	1516-17
Previous	1467.5-68	1503.5-04
High/low	1479.5/1479	1518/1512
AM Official	1478.5-79	1518.5-14.5
Kerb close		1512-13
Open int.	217,887	
Total daily turnover	34,215	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1275-80	1310-12
Previous	1280-85	1295-300
High/low		1305
AM Official	1267-70	1302-05
Kerb close		1305-10
Open int.	4,812	
Total daily turnover	425	

■ LEAD ($ per tonne)

Close	835-40	826-6.5
Previous	833-34	823-4
High/low		831/827
AM Official	839-40	825-30
Kerb close		827-8
Open int.	33,048	
Total daily turnover	8,733	

■ NICKEL ($ per tonne)

Close	7010-20	7115-20
Previous	6980-85	7090-95
High/low		7135/7080
AM Official	6965-70	7075-80
Kerb close		7100-10
Open int.	39,098	
Total daily turnover	8,865	

■ TIN ($ per tonne)

Close	6115-25	6180-85
Previous	6075-85	6140-45
High/low	6095	6190/6155
AM Official	6095-100	6160-65
Kerb close		6170-75
Open int.	18,383	
Total daily turnover	4,067	

■ ZINC, special high grade ($ per tonne)

Close	1011-12	1038.5-39
Previous	1007.5-08	1034-34.5
High/low		1040/1036
AM Official	1009-09.5	1037-38
Kerb close		1037-38
Open int.	66,040	
Total daily turnover	12,191	

■ COPPER, grade A ($ per tonne)

Close	2040-43	1945-46
Previous	1998-2000	1916-18
High/low	2015/2010	1949/1923
AM Official	2010-15	1920-21
Kerb close		1949-50
Open int.	209,356	
Total daily turnover	61,573	

■ LME AM Official £/$ rate: 1.5490
LME Closing £/$ rate: 1.5505

Spot: 1.5488 3 mths: 1.5478 6 mths: 1.5476 9 mths: 1.5474

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	93.40	+1.40	93.50	91.50	188	2,098
Sep	93.00	+1.70	93.50	90.90	2,519	15,709
Oct	92.30	+1.60	92.40	92.40	8	1,496
Nov	91.80	+1.80	91.50	91.50	7	1,259
Dec	90.70	+1.35	91.00	[illegible]	1,367	17,381
Jan	90.20	+1.45	-	-	9	973
Total					5,371	57,230

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.30-386.70		
Opening	387.30-387.70		
Morning fix	387.15	249.94	467.14
Afternoon fix	386.70	249.34	466.09
Day's High	387.50-387.90		
Day's Low	386.10-386.50		
Previous close	387.20-387.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.22 6 months 3.99
2 months ....4.22 12 months 3.91
3 months 4.22

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.45	508.75
3 months	332.95	515.35
6 months	337.25	521.90
1 year	346.30	535.45

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	248-250
Maple Leaf	395.75-398.25	
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	386.4	-1.5	387.7	386.7	216	321
Oct	[illegible]	-1.5	390.1	388.3	1,810	11,850
Dec	391.7	-1.5	393.3	391.2	19,815	73,973
Feb	394.0	-1.4	395.0	393.5	1,741	11,820
Apr	396.4	-1.3	397.0	397.0	57	5,876
Jun	398.9	-1.3	-	-	1,029	11,503
Total					24,771	169,765

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	404.0	-0.8	404.5	402.1	1,778	19,338
Jan	405.9	-0.8	406.0	405.0	217	2,998
Apr	408.1	-0.8	407.0	407.0	100	2,600
Jul	410.5	-0.8	-	-	1	153
Oct	414.0	-0.8	-	-	8	2
Total					2,085	28,087

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	128.95	-2.00	128.50	128.60	960	5,002
Dec	129.80	-2.05	130.50	130.00	685	3,575
Mar	130.30	-2.05	132.50	132.50	1	115
Jun	131.85	-2.05	-	-	-	107
Total					1,636	8,809

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	503.2	-3.8	502.0	502.0	2	8
Sep	504.5	-4.0	508.5	499.0	[illegible]	59,527
Dec	512.5	-3.8	516.5	507.0	1,599	38,305
Mar	520.2	-3.8	520.0	518.0	139	8,235
May	525.2	-3.8	-	-	22	5,511
Jul	529.9	-3.9	-	-	2	4,120
Total					[illegible]	166,171

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	22.15	-0.22	22.43	22.11	42,657	50,880
Oct	21.68	-0.18	21.90	21.60	31,027	68,753
Nov	21.09	-0.15	21.27	21.06	9,441	35,255
Dec	20.58	-0.12	20.72	20.56	9,065	42,746
Jan	20.18	-0.07	20.27	20.16	4,798	28,934
Feb	19.85	-0.07	19.94	19.81	1,582	20,824
Total					104,602	377,364

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.60	-0.13	20.80	[illegible]	17,580	[illegible]
Oct	20.12	-0.15	20.29	20.08	19,150	[illegible]
Nov	19.85	-0.17	19.83	19.65	2,982	12,481
Dec	19.37	-0.12	19.42	19.27	4,301	17,458
Jan	18.89	-0.06	18.94	18.86	2,036	11,989
Feb	18.56	-0.07	18.60	18.44	425	7,647
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	60.30	+0.29	60.90	59.90	11,884	31,716
Oct	60.45	+0.12	61.10	60.25	6,001	17,653
Nov	60.60	+0.12	61.10	60.40	1,162	10,322
Dec	60.75	+0.07	61.15	60.60	2,534	24,179
Jan	60.45	+0.07	60.60	60.35	585	11,738
Feb	59.00	-0.03	59.25	58.60	469	6,520
Total					23,729	115,479

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	184.25	+0.50	185.25	183.50	6,369	24,774
Oct	[illegible]	+0.50	184.25	182.75	1,805	[illegible]
Nov	182.25	+1.00	183.00	181.25	862	4,409
Dec	180.75	+0.75	181.50	179.75	2,276	12,192
Jan	178.50	+0.50	178.75	177.75	450	4,972
Feb	174.75	+0.25	175.50	174.50	168	998
Total					12,933	84,157

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.095	+0.039	2.100	2.040	12,974	25,113
Oct	2.145	+0.020	2.150	2.100	8,156	26,501
Nov	2.235	+0.015	2.235	2.190	1,617	13,776
Dec	2.290	+0.010	2.290	2.256	1,202	15,175
Jan	2.295	+0.005	2.300	2.295	1,117	11,906
Feb	2.230	+0.020	2.225	2.195	387	7,112
Total					28,416	138,881

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	62.30	-0.79	63.10	62.20	12,775	23,549
Oct	60.90	-0.71	61.30	60.60	7,245	14,304
Nov	59.35	-0.53	59.80	59.30	2,384	7,091
Dec	58.05	-0.44	58.30	57.90	1,037	4,478
Jan	57.15	-0.63	57.45	57.15	849	3,839
Feb	57.45	-	-	-	249	1,531
Total					24,761	56,888

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	109.00	-0.90	109.00	108.50	21	326
Nov	110.30	-0.85	111.10	110.40	177	3,166
Jan	112.50	-0.90	113.10	112.50	76	1,480
Mar	114.40	-1.00	115.10	114.60	39	[illegible]
May	116.40	-1.05	116.70	116.70	1	[illegible]
Jul	119.30	-	-	-	-	67
Total					316	6,615

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	456.00	-4.25	465.00	456.50	7,460	19,126
Dec	463.00	-5.00	473.00	462.00	18,544	37,106
Mar	460.50	-5.25	469.50	460.00	1,173	7,826
May	436.00	-7.00	445.00	435.00	27	281
Jul	400.50	-7.50	410.00	400.50	257	2,707
Dec	406.00	-7.00	-	-	-	84
Total					27,460	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	377.75	+4.75	384.00	374.25	18,938	57,318
Dec	349.00	-	354.00	345.50	70,820	173,572
Mar	355.00	+0.25	359.75	351.50	6,404	38,683
May	360.00	-0.75	364.50	357.50	3,300	13,801
Jul	360.50	-1.50	364.50	358.50	2,019	10,052
Sep	316.50	-0.50	322.00	318.50	247	1,090
Total					103,605	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.65	-0.50	100.70	100.40	32	224
Nov	103.60	-0.55	103.70	103.40	50	908
Jan	105.60	-0.55	105.60	105.50	40	380
Mar	107.60	-0.55	107.65	107.50	20	86
May	109.30	-0.55	109.75	109.75	12	61
Total					162	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	832.00	+14.75	837.00	819.00	1,536	2,836
Sep	806.50	+11.25	815.00	795.25	5,521	14,721
Nov	789.00	+8.00	798.50	780.50	41,353	117,286
Jan	795.25	+7.50	805.50	787.75	2,304	17,742
Mar	799.00	+5.50	808.50	796.00	1,477	9,759
May	798.50	+6.00	807.00	794.50	1,072	7,470
Total					54,019	178,596

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	25.39	+0.01	25.72	25.38	2,172	2,051
Sep	25.53	+0.04	25.85	25.50	4,991	17,912
Oct	25.71	+0.01	26.05	24.81	1,577	13,710
Dec	26.05	-0.01	26.47	26.03	7,894	33,122
Jan	26.25	+0.05	26.67	26.20	169	4,116
Mar	26.55	-	26.94	26.65	337	4,364
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	258.5	+3.1	260.0	255.5	3,403	4,825
Sep	253.5	+3.1	255.2	250.8	8,298	19,207
Oct	247.7	+2.3	249.8	246.0	1,697	9,301
Dec	245.9	+2.4	248.5	244.0	9,364	29,443
Jan	245.5	+2.2	246.4	244.4	1,304	5,214
Mar	245.5	+2.5	248.5	245.5	355	3,799
Total					25,601	77,771

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	83.5	[illegible]	86.0	83.0	121	1,806
May	97.5	-	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					121	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1120	+26	1118	1095	54	1,013
Sep	1166	+33	1168	1155	26	714
Oct	1300	[illegible]	1300	1280	340	1,446
Jan	1315	+47	1315	1270	59	342
Apr	1315	+40	1315	1275	6	201
Jul	1160	+30	-	-	-	24
Total					[illegible]	[illegible]

	Close	Prev
BFI	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,350 CFR/FOT MEP, steady; 1996 crop estimated at 85,000 tons (correction from last week) – price indicated at 4,000. US almonds (shelled); 1996 crop, blanched, 23/25 NPSSR AOL 6,380, shipment September-October; 23/25 NPSSR at 5,600, shipment September; standard 5% 5,000 shipment September/October – all FAS California. US walnuts 1996 crop LHP 20%, 5,000 FAS California, Jumbo Hartley No 1 indicated at 2,204. Turkish hazelnuts, standard No 1, 1996 crop, 3,400 CFR MEP for shipment from September. Indian cashews raw: W-320, 5,850 spot Europe – down on lack of demand. Price increase expected soon because of reduced availability.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1013	-5	1019	1007	110	38,414
Dec	1032	+2	1032	1023	1,862	35,709
Mar	1046	+1	1044	1037	990	41,213
May	1065	-	1056	1050	92	21,802
Jul	1067	+1	1080	1080	2	11,333
Sep	1078	-	-	-	-	3,380
Total					3,287	171,882

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1380	+11	1396	1383	2,093	8,306
Dec	1432	+14	1439	1407	3,082	26,284
Mar	1464	+13	1472	1444	600	16,918
May	1482	+13	1484	1473	283	7,618
Jul	1498	+13	-	-	1	5,944
Sep	1513	+13	-	-	1	5,163
Total					[illegible]	75,304

■ COCOA (ICCO) (SDR's/tonne)

Aug 13	Price	Prev. day
Daily	1029.70	1037.32

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1684	+61	1693	1625	3,257	10,370
Nov	1645	+59	1656	1605	5,891	11,419
Jan	1606	+60	1615	1570	728	4,315
Mar	1580	+57	1555	1540	380	2,807
May	1540	+62	-	-	-	516
Jul	1522	+59	1526	1505	5	167
Total					9,994	29,598

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	121.30	-1.85	125.50	121.00	7,586	6,692
Dec	111.00	-0.75	114.50	110.60	6,845	10,680
Mar	108.25	-1.15	109.50	108.00	1,045	3,471
May	106.00	-0.75	108.00	105.55	149	1,101
Jul	106.00	-0.75	106.75	105.00	64	472
Sep	105.00	-1.75	106.75	106.75	2	181
Total					15,691	22,738

■ COFFEE (ICO) (US cents/pound)

Aug 13	Price	Prev. day
Comp. daily	103.40	101.30
15 day average	98.24	97.76

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	349.8	+0.5	349.9	340.3	856	11,007
Dec	345.3	-0.2	345.7	344.9	330	4,146
Mar	341.0	-0.4	341.9	340.4	220	6,465
May	338.9	-1.2	339.0	336.4	101	2,463
Aug	335.2	-0.5	335.5	335.4	100	982
Oct	324.1	-0.7	-	-	-	843
Total					1,765	28,131

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.81	-0.07	[illegible]	11.72	20,186	69,585
Mar	11.41	-0.07	11.46	11.34	9,260	46,296
May	11.15	-0.06	11.20	11.15	2,895	17,810
Jul	10.87	-0.05	10.90	10.86	777	13,012
Oct	10.71	-0.03	10.73	10.70	395	7,271
Mar	10.49	-0.03	-	-	40	793
Total					33,513	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.85	-0.90	75.00	73.80	1,986	7,416
Dec	74.40	-0.79	75.35	74.30	11,251	30,361
Mar	75.67	-0.80	76.65	75.60	506	7,873
May	76.50	-0.75	77.35	76.50	346	6,016
Jul	77.10	-0.50	77.80	77.10	74	4,575
Oct	76.05	-0.45	76.10	76.00	13	1,084
Total					14,321	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	112.65	-0.80	114.60	112.50	1,565	9,938
Nov	105.60	-1.95	108.30	105.60	483	4,258
Jan	107.25	-1.80	108.75	107.00	431	4,598
Mar	108.35	-1.75	111.00	108.75	58	992
May	109.50	-1.45	111.00	111.00	13	270
Jul	110.50	-1.45	-	-	-	165
Total					2,555	20,385

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 14	Aug 13	month ago	year ago
1942.1	1938.0	1957.6	2203.5

■ CRB Futures (Base: 1967=100)

Aug 13	Aug 12	month ago	year ago
249.91	249.30	-	-

■ GSCI Spot (Base: 1970=100)

Aug 13	Aug 12	month ago	year ago
200.65	201.01	211.01	176.25

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.575	+0.1	67.900	67.300	3,443	7,585
Oct	69.575	-0.3	69.950	69.450	7,113	41,860
Dec	66.650	-0.125	67.075	66.600	3,442	21,077
Feb	65.525	-0.125	65.700	65.450	1,678	13,212
Apr	67.000	+0.025	67.125	66.850	420	4,636
Jun	65.225	+0.025	65.300	65.000	76	2,307
Total					16,221	90,394

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	60.975	-0.95	61.250	60.500	1,463	2,315
Oct	55.375	-0.9	55.950	55.150	3,349	15,048
Dec	55.675	-1.225	56.425	55.450	1,466	10,127
Feb	75.950	-0.625	76.375	75.600	802	2,947
Apr	74.175	-0.4	74.200	73.550	65	1,156
Jun	78.275	-0.375	78.475	77.950	42	1,199
Total					6,897	33,216

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	95.600	-2	95.600	95.600	881	1,177
Feb	82.075	-2	83.300	82.075	1,265	3,717
Mar	81.400	-2	82.500	81.400	96	592
May	80.450	-1.1	81.200	79.800	10	251
Jul	78.950	-1.55	80.000	78.750	2	42
Aug	78.250	-	-	-	3	6
Total					2,264	5,785

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	106	161	6	19
1500	37	86	36	51
1600	7	42	105	105
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1850	166	186	24	84
1950	100	107	57	138
2050	54	70	109	194
■ COFFEE LCE	Sep	Nov	Sep	Nov
1550	136	151	2	86
1600	92	122	8	77
1650	54	97	20	102
■ COCOA LCE	Sep	Dec	Sep	Dec
975	41	88	3	31
1000	22	71	9	39
1025	10	58	22	51
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1900	-	-	26	50
1950	101	93	37	-
2000	-	-	61	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.41-8.46	-0.20
Brent Blend (dated)	$20.57-0.60	-0.05
Brent Blend (Oct)	$20.09-0.13	-0.15
W.T.I.	$21.82-1.84x	-0.14

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$216-218	+5
Gas Oil	$185-187	+1
Heavy Fuel Oil	$89-91	
Naphtha	$192-196	-0.5
Jet fuel	$209-211	-1
Diesel	$188-190	+1

■ NATURAL GAS (Pence/Therm)

Bacton (Sep)	14.00-14.20

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

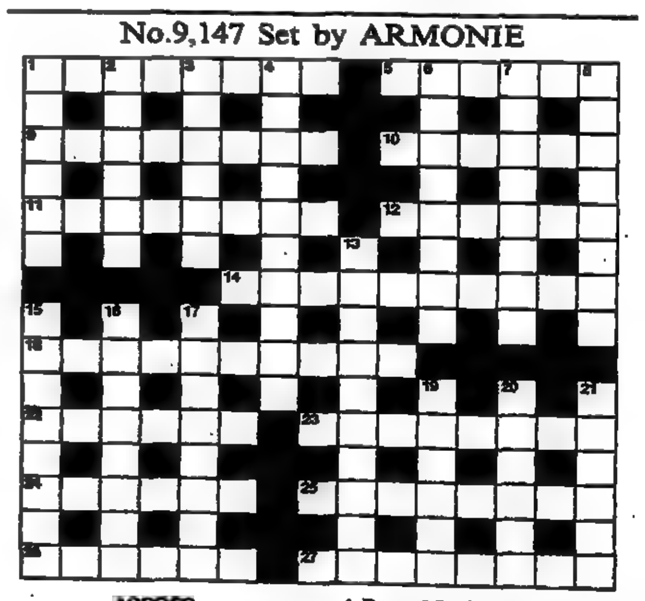
Gold (per troy oz)♣	$388.50	-0.85
Silver (per troy oz)♣	503.50c	-5.50
Platinum (per troy oz.)	$399.25	-0.25
Palladium (per troy oz.)	$127.40	-1.85
Copper	97.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.01r	
Tin (New York)	285.50	-1.00
Cattle (live weight)	95.39p	-1.32*
Sheep (live weight)	106.37p	+2.54*
Pigs (live weight)†	110.88p	+5.77*
Lon. day sugar (raw)	$311.00	+6.30
Lon. day sugar (wte)	$372.20	+8.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	88.50p	+0.50
Rubber (Oct)♥	88.50p	+0.50
Rubber (KL RSS No1)	324.50m	+0.50
Coconut Oil (Phil)§	$900.0w	+2.5
Palm Oil (Malay)§	$502.5	+7.5
Copra (Phil)§	$508.0w	
Soyabeans (US)	224.0	+6.0
Cotton Outlook'A' Index	77.10c	+0.10
Wooltops (64s Super)	417p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. w Jul/Aug. z Aug/Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,472 head of pigs sold.

JOTTER PAD

CROSSWORD

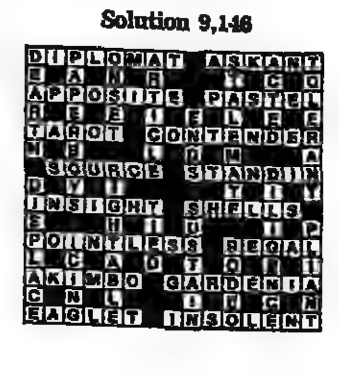
No.9,147 Set by ARMONIE



ACROSS
1, 5 It takes trouble and courage to provide heating for the retired (3-5,6)
9 Rep stood foolishly where the election could be fought (8)
10 Supporter's sick! That's about normal (6)
11 I put in a memo for hazelnut chocolate (8)
12 Tropical plant one found in particular type of earth (6)
14 Wise guy's put the right drink in the vessel (5,5)
18 Firm's instruction to maintain the same course after surprise (4,6)
22 Extract what's allowable after closing of mine (6)
23 Strong cheese is sent back after starting to ooze out (4-4)
24 Professional killer "wasted" characters in cinema (6)
25 Relate to dancing bear (8)
26 Freedom of access to measure developing timber (6)
27 Downcast beauty lost English flower (8)

DOWN
1 The concealment of physical punishment (6)
2 King is absorbed by subject of terrestrial boundary (6)
3 The response to a monarch seizing territory down under (6)
4 Does MP in incident ever get equanimity? (4,6)
6 New exam contains one trap (8)
7 Edward accepted a period of abstinence. That's brilliant! (8)
8 Sets aside rare mask for review (8)
13 Archer's to do a turn for some food (6,4)
15 After Friday, eremite goes crazy for a break (4,4)
16 Stress identification is to be produced in unforeseen event (8)
17 Guess I'm into property! (8)
19 Claim supporter is in drink (6)
20 Install one in a sumptuous abode (6)
21 Divulge note on meat (6)

Solution 9,146



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$1.0916	1.1671	—	-
Offshore Emerging Cos	$7.4005	7.9802	—	-
Offshore Far East Gwth Fd	$5.0036	5.3165	—	-
Offshore Intl Gwth Fd	$6.0646	6.4440	—	-
Offshore Japanese Gwth Fd	$1.2539	1.3326	—	-
Offshore UK Growth Fd	$3.8101	4.0480	—	-
Offshore Asia Smaller Mkts	$1.7212	1.8292	—	-
Offshore Latin Amer Emerg	$1.0719	1.1392	—	-
Offshore European Gwth Fd	$2.5712	2.7325	—	-
Offshore Global Bond	$0.9868	1.0071	—	-
Offshore Global Bond Acc	$1.1448	1.1627	—	-

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

TSB Inland Pension	721.4	759.6	-8.6	-
Island Equity Acc	126.0	133.3	-0.5	-

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

E.T. Investment Management Ltd

Elgiston Global SICAV (u)

EquiFund-Wright National Eqty Fd (u) (x)

Fidelity Funds (u)

Manulife Regent Global Fund (u) (z)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Suecia Securities

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	443	+2	[illegible]	419	4,606	6.7	16.8
Bulmer (HP)	[illegible]	[illegible]	—	[illegible]	464	312.6	2.8	19.8
Burn St Dist	[illegible]	161	—	[illegible]	[illegible]	[illegible]	6.2	21.8
Glenmorangie A		[illegible]		776	600	104.0	2.0	19.6
Grand Met	[illegible]	[illegible]	-3	497	407½	9,545	4.2	19.3
Guinness	[illegible]	[illegible]	—	[illegible]	435	[illegible]	3.9	15.6
Highland	[illegible]	[illegible]	-5	405	315	478.5	2.8	18.7
[illegible]		[illegible]	[illegible]	[illegible]	621	[illegible]	0.8	23.1
Macallan-Glen	[illegible]	154	+1	277	150	[illegible]	1.2	31.6
Matthew Clark	[illegible]	[illegible]	-5	[illegible]	580	[illegible]	4.4	32.8
Merrydown	[illegible]	[illegible]	+1	147	97	13.3	4.8	ϕ
Seagram $		£21[illegible]	[illegible]	£26[illegible]	£20[illegible]	6,922	1.3	—

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		504½	—	[illegible]	50½	8.31	19.8	—
Cater Allen	[illegible]	425	—	[illegible]	379	137.9	6.9	12.5
Close Bros	[illegible]	339	—	[illegible]	305	408.5	3.3	15.0
Gerrard & Nat	[illegible]	349	—	472	337	165.3	8.5	10.6
Hambros		233xd	-1	252	183	416.2	4.0	—
7½pc Cv Pf		110	—	117	94½	141.7	8.3	—
King & Shaxson	[illegible]	165	—	177	112½	43.8	6.8	14.3
Leopold J	[illegible]	448xd	—	465	351	23.7	5.4	18.5
Rea Brothers	[illegible]	58	—	67	44	24.1	2.5	24.0
Schroders	[illegible]	1348	+20	1478	1185	2,095	1.5	18.8
N/V		1040	+40	1160	880	457.8	1.9	14.5
Singer & Fried.	[illegible]	119½	+3½	122½	97	238.6	4.2	9.5
8½pc Cv Ln 09/14		£140¾	+5	£144¾	[illegible]	43.6	6.1	—
Union	[illegible]	98	—	121	[illegible]	25.2	3.8	10.5

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Rolex Oyster
Able to survive even the shocks of this page.
ROLEX
of Geneva

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

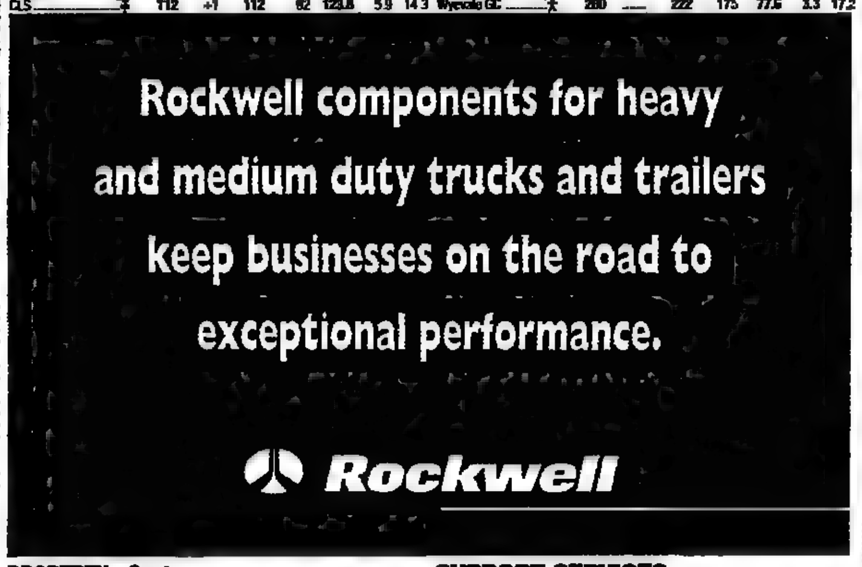
AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£24½	£22½	1,800	3.4	♦
Barlow	♣†	[illegible]	—	[illegible]	[illegible]	1,211	2.2	—
Gold Flds Prop R		137xd	—	170	120	73.4	6.6	10.2
NK Props		[illegible]	—	[illegible]	75	3.22	11.4	—
SASOL	♥	[illegible]	—	710	475	3,[illegible]	1.7	—
SA Brews		£17½	—	[illegible]	[illegible]	5,117	2.0	♦
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	2,[illegible]	1.8	20.[illegible]
Tiger Oats	†	[illegible]	—	1270	[illegible]	1,[illegible]	2.0	17.1
Tongaat-Hulett		790xd	—	1047	730	717.6	2.4	♦



GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ✧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a
FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

London inches nearer to new closing peak

By Philip Coggan, Markets Editor

The London stock market once again demonstrated its recent resilience by shaking off an early decline to edge a step nearer its all-time closing high.

The day's economic data were not designed to help the equity market. The July unemployment numbers showed a bigger-than-expected drop of 24,000, albeit on a seasonally adjusted basis, while the underlying rate of annual average earnings growth edged up to 3.75 per cent.

Both figures would appear to reduce the justification for a further interest rate cut, especially as the minutes of the July 3 monetary meeting show that Mr Eddie George, the governor of the Bank of England, is strongly opposed to another reduction.

Gilts fell back on the news, dragging shares down with them and, at its worst, at 10am, the FT-SE 100 index was 10.3 points off at 3,813.1. The Tuesday night weakness on Wall Street, where the Dow Jones Industrial Average fell by 57 points, also weighed on sentiment.

But, for the moment, it seems hard to keep the London market down, and shares duly rebounded. When Wall Street opened stronger – the Dow was 12 points ahead at the close of London trading – Footsie edged into positive territory, finishing the day at 3,830.3. The all-time closing high, recorded on April 19, was 3,857.1.

The FT-SE Mid-250 index also managed a gain of 5.8 to 4,351.9. But gilts did not recover their losses, and the benchmark 10 year issue finished the day with a fall of three eighths of a point.

Mr Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, said: "Confidence was tested in July and survived and that leads to a bounce-back. Equity markets are being supported by the fall in US bond yields from 7.25 per cent to 6.75 per cent and in the UK, by liquidity; there has been around £1bn of share buy-backs over the last month."

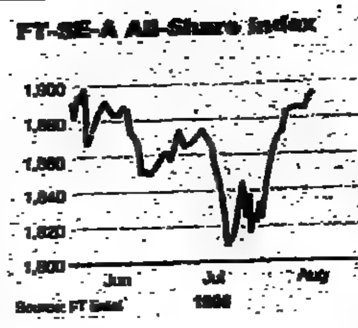
But Mr Brown doubts whether Footsie can break out of the top of its recent 3,650-3,850 range and is sticking to his end-year forecast of 3,500.

There was a modest sprinkling of corporate news yesterday. BICC's overall loss obscured a rebound in its cables unit – and the shares staged a modest rally – but Glynwed, the engineering group, disappointed the market and its shares were the worst performers in the FT-SE Mid 250 index.

The best bid story that traders could dream up was a revival of talk of an offer for Schroders. This rumour, which has been around for at least a year, was circulated again only last week. But it was sufficient to make the merchant bank's shares the strongest performers in Footsie.

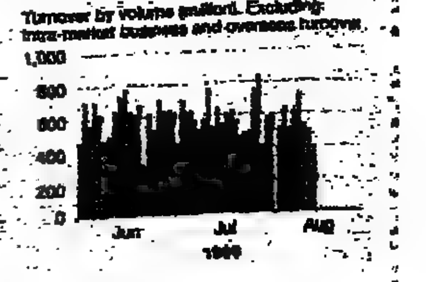
Volume was once again subdued, with many dealers on their August holidays. Just 529.9m shares were traded by the 6pm count, of which 58.8 per cent was in non-FT-SE 100 index stocks. The value of retail business on Tuesday was £1.46bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3830.3	+6.9	FT Ordinary index	3800.0	+3.8
FT-SE Mid 250	4351.9	+5.8	FT-SE-A Non Fins p/e	17.22	17.17
FT-SE-A 350	1917.6	+3.2	FT-SE 100 Fut Sep	3836.0	0.0
FT-SE-A All-Share	1894.65	+3.03	10 yr Gilt yield	7.82	7.77
FT-SE-A All-Share yield	3.89	3.89	Long gilt/equity yld ratio	2.10	2.09

Best performing sectors

1 Banks: Merchant .... +1.4
2 Extractive Industries .... +1.4
3 Pharmaceuticals .... +0.9
4 Building Matls & Merch .... +0.8
5 Gas Distribution .... +0.7

Worst performing sectors

1 Tobacco .... −0.4
2 Electricity .... −0.4
3 Banks: Retail .... −0.3
4 Retailers: Food .... −0.2
5 Investment Trusts .... −0.2

Hanson toughs it out

By Peter John, Jeffrey Brown and John Dludlu

Leading conglomerate Hanson, one of this year's worst performing Footsie stocks, was wearing a brave face ahead of today's third quarter results. The shares added 2¼ to 168½p.

Brokers said the forecast profits range for the third quarter was wide, possibly stretching from £250m to £350m. But most analysts felt that the results would have to show an alarming deviation to have any real impact on the share price.

"What matters now is the sum-of-the-parts calculations. It's hard to see any single three months of trading having much impact on these," said one leading analyst yesterday.

Cookson continued to drift lower following Tuesday's "reduce" note from NatWest Securities. The stock came off 7 to 250p for a two-day decline of more than 6 per cent.

Not all brokers are downhearted. Mr Martin Bomford, conglomerates analyst at UBS, remains a buyer of the stock. "We're in an information vacuum ahead of next month's interims. This always creates uncertainty", he said.

Schroders, the largely family-owned bank, bounced to the top of the Footsie inspired by what one analysts described as "summer mischief".

The non-voting shares rose 40 to 1040p and the ordinaries 20 to 1348p on a return of long running takeover speculation. Yesterday's boost might have been prompted by earlier rumours - denied by the company concerned – that Singer & Friedlander had approached a foreign bank offering itself for sale.

News that Munich Re is to buy American Re also refocused attention on international consolidation in financial sectors and gave some dealers the chance to re-visit the possibility of Commerzbank of Germany making a play for one of the last remaining UK banking independents.

Nevertheless, Schroders has always stressed that it is very happy to remain independent. And as the family controls more than 40 per cent of the stock, shareholder loyalty is unusually strong.

Standard Chartered fell 14 to 691p in the wake of cautious comments from Goldman Sachs. The US broker has raised its profit estimates but reiterated its "market underperformer" recommendation.

De La Rue, the savaged bank note printer, was one of the strongest mid-cap stocks as buyers started to return to the hard-hit paper sector. However, the rise of 18 to 644p was a small plus when matched against the slide of more than 30 per cent this year.

Interest rate optimism got more firmly behind the builders with the materials sector showing a number of lively gains, notably the so-called German stocks, Redland and RMC.

What the Bundesbank had to say yesterday about the fragility of the German economic recovery sparked talk of a reduction for repo rates when the bank's council meets next week.

Both RMC and Redland get more than 40 per cent of turnover from Germany. The former added 8 to 1047p while Redland bounced to the top end of the Footsie performance charts, rising 7 to 430p.

Builders are overtly sensitive to interest rate changes, and rekindled hopes for a politically inspired cut in the UK underpinned the upbeat mood.

Blue Circle gained 5 to 330p, Caradon 6 to 211p and Meyer International, up 9 on Tuesday, a further 9½ to 380½p.

Housebuilder Bellway, which is due to replace Southern Water in the FT-SE Mid 250 index, jumped 12 to 319p for a two-day advance of 6 per cent.

Takeover talk resurfaced at PizzaExpress, driving the shares up 13 to 432p.

The restaurant chain has been a highly visible bid favourite all year but yesterday's gossip was not accompanied by much physical evidence of buying. Turnover in the stock was a nominal 53,000 shares.

PizzaExpress has risen from 210p since January, and from 340p since the middle of July, with much of the recent takeover excitement generated by Whitbread's £133m offer for Pelican, who are operators of the Cafe Rouge chain.

The vague whisper yesterday was that rival brewer Bass, up 1½ to 823p, was about to spring a bid.

Courtaulds Textiles picked up 3 to 337p, while other stocks in the sector showed little movement.

Orange rose 1½p to 179½p after an analysts' report which said trading losses in the telecoms company would bottom out. The report, from ABN Amro Hoare Govett, expected an interim loss of £130m next week. However, it said this loss should decrease to less than £120m in the second half.

Valuation stories returned to lift Pearson, the media conglomerate which owns the Financial Times, 7 to 675p. Credit Lyonnais Laing set a break-up price of 872p a share and a trading value of 759p on the stock. Break-up valuations for Pearson have been in vogue since Henderson Crosthwaite carried out a sum-of-the-parts exercise, which last year valued the company at 950p a share.

Satellite broadcaster BSkyB added 5 at 512p on reports that it is in joint venture talks with the BBC.

Chemicals remained out of favour, with HSBC James Capel reminding investors of its negative stance on ICI and British Vita. ICI was down 3 at 792p, Vita eased to 201p and Courtaulds fell 4 to 437p.

The results gush slowed to a trickle yesterday with the Footsie unrepresented. Where there were numbers to be crunched, they mostly supplied mixed news.

Electrical cable and construction group BICC, which stood at 360p in mid-April, ticked up 5 to 320p in spite of provision-hit six month results and broker downgrades for the full year.

The group is struggling to overcome weak trading in its Balfour Beatty construction arm, which turned a profit of £13m into an £8m loss for the half-year.

Engineer Glynwed International shed 8 to 332p after the group's interim results came in at the bottom end of City expectations. SGST reduced its full year estimate by £5m to £87m.

Bus and rail operator Stagecoach put on 14 to 501p as rumours that the company was teeing up another round of corporate news ran round the market.

Brokers pointed to possible news on the planned takeover of Swedbus, the Swedish bus group with a 30 per cent share of the national market.

FINANCIAL TIMES EQUITY INDICES

	Aug 14	Aug 13	Aug 12	Aug 9	Aug 8	Yr ago	*High	*Low
Ordinary Share	2800.0	2796.2	2794.3	2796.3	2796.4	2611.4	2885.2	2668.8
Ord. div. yield	4.08	4.09	4.08	4.08	4.08	4.13	4.22	3.76
P/E ratio net	16.92	16.89	16.44	16.44	16.44	15.83	17.25	15.8
P/E ratio nil	16.74	16.72	16.28	16.28	16.28	15.45	17.08	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2789.1	2794.7	2787.5	2790.2	2791.3	2792.6	2793.0	2797.4	2799.9	2801.5	2787.2

	Aug 14	Aug 13	Aug 12	Aug 9	Aug 8	Yr ago
SEAQ bargains	27,738	29,842	30,653	30,417	30,144	22,794
Equity turnover (£m)†	–	1462.9	1015.6	1381.9	1486.2	1461.0
Equity bargains†	–	33,608	34,306	36,562	36,120	33,266
Shares traded (m)†	–	589.0	393.7	480.8	523.6	609.0

†Excluding intra-market business and overseas turnover.

	Aug 14	Aug 13	Aug 12	Aug 9	Aug 8	Yr ago	*High	*Low
FT-SE AIM	1070.40	1068.90	1070.80	1069.60	1060.00	–	1140.4	966.7

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	539	Total Highs	60	Total contracts	30,276
Total Falls	576	Total Lows	24	Calls	14,431
Same	1,578			Puts	15,845

Aug 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3827.0	3836.0	-	3846.0	3822.0	10624	61867
Dec	3862.0	3857.0	-0.5	3866.0	3859.0	180	4713
Mar	-	3868.0	-	-	-	0	310

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4350.0	-5.0	-	-	0	3490

■ FT-SE 100 INDEX OPTION (LIFFE) (*3831) £10 per full index point

	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850–4000
Aug	181½	1	131½	1	81½	1	31½	4½	[illegible]
Sep	195½	10	152½	15½	111½	26	76½	41	[illegible]
Oct	213	22½	171½	31½	132½	43	100½	61	[illegible]
Nov	227½	34	188½	44½	152	57½	119½	75	[illegible]
Dec†			211	60½			147½	84½	[illegible]

Calls 2,067 Puts 5,617

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875–4025
Aug	152	1	102	1	53½	2	14	12½	[illegible]
Sep	172	12	129½	19½	92	31	59½	48½	[illegible]
Oct	188	24	149	34½	113½	49½	84½	68½	[illegible]
Dec			187½	66			132½	101	[illegible]
Mar†			238	101½			181	39½	[illegible]

Calls 6,334 Puts 4,099 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	14.4	73	67	†AND Intl	67		-	-	-	-
§60	F.P.	7.95	58	33	†Alkyne	46	-4	-	-	-	-
-	F.P.	879.6	220½	£19½	Alumax	£19½		-	-	-	-
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	13.1	68	65	†Barbican Hlthcre	66		-	-	-	-
§110	F.P.	9.31	146	120	†Chemical Design	136	-9	-	-	-	-
*	F.P.	5.17	4	4	†Dentmaster Hldge	4		-	-	-	-
§5	F.P.	3.07	4	4	†Drings of Bath	4		-	-	-	-
§	F.P.	67.8	677¾	676½	Egypt Trust	677¾		-	-	-	-
§145	F.P.	44.8	218	148	†Elec Retail Sys	213		-	-	-	-
§	F.P.	2.62	58	41	†Feyrewood	46		-	-	-	-
§	F.P.	19.0	63	61	†Gail Thomson Env	61		W-	-	-	8.7
193	F.P.	22.6	202	160	†HIT Entm	202	+6	-	-	-	88.5
§95	F.P.	18.2	65	65	Hambros Sm Asn C	65		-	-	-	-
§100	F.P.	24.2	98	94	Howe Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
§	F.P.	0.26	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1½		-	-	-	-
§105	F.P.	28.7	130	105½	Robert Walters	129		L2.0	3.9	1.9	18.4
§140	F.P.	10.3	165	151	†SCI Ent	165	+2	-	-	-	11.6
§100	F.P.	78.8	96	91	Schroder Em Cins	91½		-	-	-	-
§	F.P.	6.26	37	31	Schroder Em Wts	36		-	-	-	-
-	F.P.	40.7	370	343	Schroder Em Cit O	370		-	-	-	-
§95	F.P.	13.3	70	65	†Selector	65		-	-	-	-
145	F.P.	471.0	169	155	Somerfield	157		W8.0	2.5	7.2	7.0
-	F.P.	4.25	125	120	†West 175 Enter	125		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 13	% chg on day	Aug 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2845.63	-0.4	2854.38	1992.69	1.54	–	2830.73	1722.83
■ Regional Indices								
Africa (13)	2883.50	+0.8	2847.31	2634.57	3.06	37.80	2852.86	2272.74
Australasia (7)	2408.34	+1.8	2366.57	2418.41	2.38	22.86	2927.34	2123.50
North America (11)	1822.38	-1.3	1846.67	1667.38	0.73	86.11	2186.39	1468.84

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FT - SE Actuaries Share Indices — The UK Series

	Aug 14	Day's chge%	Aug 13	Aug 12	Aug 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3830.3	+0.2	3823.4	3803.3	3810.7	3465.1	4.06	2.06	14.76	124.78	1582.75
FT-SE Mid 250	4351.9	+0.1	4346.1	4331.9	4324.5	3862.5	3.46	1.58	22.90	123.76	1760.42
FT-SE Mid 250 ex Inv Trusts	4367.4	+0.2	4360.2	4355.6	4357.4	3875.2	3.58	1.61	21.84	130.38	1778.25
FT-SE-A 350	1917.6	+0.2	1914.3	1905.1	1907.3	1727.9	3.95	1.98	15.97	60.79	1616.61
FT-SE-A 350 Higher Yield	1842.4	+0.1	1840.7	1836.1	1843.5	1717.0	5.26	1.89	12.56	77.29	1306.75
FT-SE-A 350 Lower Yield	2000.1	+0.2	1995.3	1981.4	1978.5	1742.9	2.76	2.13	21.23	44.74	1382.76
FT-SE SmallCap	2127.26	+0.1	2126.19	2122.93	2121.04	1946.07	3.12	1.67	23.97	42.92	1754.59
FT-SE SmallCap ex Inv Trusts	2120.12	+0.1	2118.29	2115.36	2113.09	1921.77	3.33	1.75	21.37	45.00	1759.95
FT-SE-A ALL-SHARE	1894.65	+0.2	1891.62	1882.95	1884.86	1708.94	3.89	1.96	16.38	58.39	1623.47

■ FT-SE Actuaries All-Share

	Aug 14	Day's chge%	Aug 13	Aug 12	Aug 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3585.38	+0.1	3580.79	3567.20	3563.35	2889.48	3.79	1.68	20.25	93.81	1551.12
12 Extractive Industries(6)	4218.76	+1.4	4161.27	4112.79	4081.83	4045.57	3.80	2.52	13.05	109.19	1241.45
15 Oil, Integrated(3)	3672.22	-0.1	3675.86	3657.61	3656.13	2867.37	3.97	1.48	21.25	100.98	1631.24
16 Oil Exploration & Prod(15)	2541.44	+0.1	2538.08	2523.11	2531.21	1992.71	2.05	1.52	39.98	34.94	1580.67
20 GEN INDUSTRIALS(276)	2020.12	+0.3	2014.36	2009.86	2007.44	1989.75	4.29	1.84	15.81	55.15	1113.91
21 Building & Construction(34)	1156.43	+0.5	1150.58	1142.03	1138.00	988.99	3.58	1.67	20.93	23.05	971.89
22 Building Matls & Merchs(25)	1860.18	+0.8	1864.87	1854.20	1852.19	1822.68	4.07	1.71	17.94	47.61	958.66
23 Chemicals(25)	2373.66	-0.1	2376.79	2410.58	2409.72	2472.74	4.26	1.83	17.99	82.58	1133.13
24 Diversified Industrials(19)	1567.01	——	1566.37	1555.11	1561.86	1827.62	6.64	1.69	11.13	62.63	898.28
25 Electronic & Elect Equip(37)	2307.07	+0.1	2304.75	2312.40	2303.88	2048.60	3.38	1.65	22.40	56.62	1212.84
26 Engineering(71)	2455.73	+0.4	2447.16	2439.58	2432.25	2097.11	3.27	2.43	15.70	54.65	1503.47
27 Engineering, Vehicles(14)	3050.92	+0.2	3046.27	3051.41	3037.00	2541.56	3.49	2.01	17.84	73.79	1595.27
28 Paper, Pckg & Printing(28)	2576.66	+0.7	2558.46	2518.50	2512.23	2995.58	3.85	1.99	16.35	64.49	1124.66
29 Textiles & Apparel(19)	1260.81	+0.3	1256.79	1244.48	1246.41	1690.82	5.62	1.56	14.28	42.36	778.29
30 CONSUMER GOODS(91)	3582.50	+0.3	3570.25	3549.11	3593.96	3302.71	3.94	1.95	16.28	115.56	1343.42
32 Alcoholic Beverages(6)	2811.36	-0.1	2814.64	2805.32	2791.69	2831.90	4.49	1.62	17.20	91.68	1027.93
33 Food Producers(24)	2523.04	——	2522.81	2508.16	2500.61	2582.99	4.13	1.91	15.89	70.29	1150.77
34 Household Goods(15)	2568.30	——	2567.89	2559.94	2558.37	2899.17	3.87	2.15	15.01	59.03	988.57
36 Health Care(20)	2006.16	-0.1	2007.76	2007.03	2001.76	1876.53	2.73	2.18	21.00	35.96	1226.12
37 Pharmaceuticals(13)	5281.09	+0.9	5235.16	5193.48	5246.63	4245.04	3.20	2.07	18.87	151.62	1818.20
38 Tobacco(1)	3930.49	-0.4	3947.43	3930.49	4311.88	4337.09	6.67	2.06	9.12	282.07	1012.17
40 SERVICES(252)	2539.50	+0.2	2533.80	2520.96	2512.68	2175.18	2.89	1.91	22.65	56.07	1331.67
41 Distributors(31)	2775.24	+0.3	2767.85	2748.85	2745.37	2739.40	3.15	1.74	22.88	57.82	1031.29
42 Leisure & Hotels(24)	3193.99	+0.3	3185.12	3147.87	3133.21	2485.84	2.75	1.99	23.64	154.39	1726.83
43 Media(45)	4254.63	+0.6	4231.20	4211.46	4197.39	3270.20	2.17	1.94	29.70	69.85	1545.83
44 Retailers, Food(14)	2040.55	-0.2	2043.68	2022.95	2015.52	2191.38	3.76	2.32	14.36	48.71	1309.54
45 Retailers, General(43)	2105.86	+0.2	2101.92	2096.16	2082.09	1783.63	2.99	2.13	19.61	47.43	1214.96
47 Breweries, Pubs & Rest.(24)	3129.02	+0.3	3120.08	3112.51	3117.89	2645.26	3.28	1.99	19.22	67.05	1516.86
48 Support Services(40)	2467.81	-0.2	2473.53	2480.25	2458.15	1741.96	1.90	2.29	28.95	34.90	1576.64
49 Transport(22)	2383.62	+0.2	2379.99	2375.62	2373.78	2310.39	3.99	0.93	33.52	57.34	1002.68
60 UTILITIES(36)	2336.57	+0.1	2334.91	2338.52	2345.89	2508.69	5.49	1.95	11.69	152.82	1037.78
62 Electricity(11)	2448.58	-0.4	2459.18	2476.62	2483.67	2593.23	6.63	2.41	7.83	404.44	1312.99
64 Gas Distribution(2)	1335.62	+0.7	1326.02	1329.22	1354.82	1849.87	8.97	1.36	10.26	86.67	700.54
66 Telecommunications(6)	1974.09	+0.1	1972.01	1970.58	1974.87	2133.33	4.09	1.86	18.16	50.20	918.85
68 Water(11)	2242.76	+0.3	2236.26	2236.11	2229.60	2066.92	6.14	2.32	8.79	94.95	1268.43
69 NON-FINANCIALS(669)	1997.80	+0.2	1993.18	1985.98	1989.23	1896.83	3.87	1.88	17.22	62.98	1537.26
70 FINANCIALS(104)	3067.44	-0.1	3070.32	3041.67	3037.04	2508.29	4.30	2.41	12.07	94.03	1338.01
71 Banks, Retail(8)	4376.20	-0.3	4390.16	4335.21	4330.50	3402.71	4.14	2.71	11.14	141.75	1452.54
72 Banks, Merchant(6)	3618.13	+1.4	3567.07	3581.94	3588.94	3623.62	2.73	2.50	18.28	63.39	1154.69
73 Insurance(22)	1471.32	-0.1	1472.17	1458.91	1459.77	1334.54	5.69	2.34	9.39	49.20	1116.38
74 Life Assurance(6)	3414.77	+0.3	3403.22	3407.57	3402.18	2739.00	4.42	2.21	12.76	100.72	1431.49
77 Other Financial(21)	2585.44	+0.3	2577.83	2571.00	2565.58	2165.81	4.08	1.79	17.07	58.15	1487.95
79 Property(41)	1604.11	-0.1	1605.16	1588.71	1584.86	1464.85	3.98	1.25	25.23	40.48	999.17
80 INVESTMENT TRUSTS(126)	3135.26	-0.2	3140.20	3131.86	3131.11	2936.66	2.26	1.11	49.80	47.71	1101.53
89 FT-SE-A ALL-SHARE(899)	1894.65	+0.2	1891.62	1882.95	1884.86	1708.94	3.89	1.96	16.38	58.39	1623.47
FT-SE-A Fledgling	1226.80	——	1226.74	1226.09	1224.25	1046.47	2.80	2.32	19.23	21.75	1290.62
FT-SE-A Fledgling ex Inv Trusts	1240.34	——	1239.90	1239.82	1237.72	1039.56	3.00	2.60	16.66	23.55	1305.57

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3814.4	3821.9	3813.1	3816.1	3818.5	3817.6	3817.5	3826.3	3831.3	3831.7	3813.1
FT-SE Mid 250	4342.3	4345.7	4345.3	4343.7	4346.2	4347.2	4347.7	4349.3	4351.0	4352.0	4341.8
FT-SE-A 350	1910.4	1913.7	1910.2	1911.4	1912.4	1912.1	1912.1	1915.8	1917.9	1917.9	1910.1

Time of FT-SE 100 Day's high: 3:21 PM Day's low: 09:57 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3564.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1147.4	1149.9	1149.8	1150.8	1150.8	1150.8	1152.0	1153.3	1154.2	1154.7	1146.9	+7.8
Pharmaceuticals	5156.5	5158.4	5148.9	5160.8	5163.2	5158.2	5159.3	5203.1	5208.5	5211.2	5165.0	+46.2
Water	2216.4	2217.0	2218.3	2220.8	2219.7	2220.2	2221.5	2225.3	2230.2	2230.7	2224.1	+6.6
Banks, Retail	4440.0	4433.7	4409.9	4417.2	4419.5	4414.7	4415.6	4426.3	4437.6	4434.1	4446.2	−12.1

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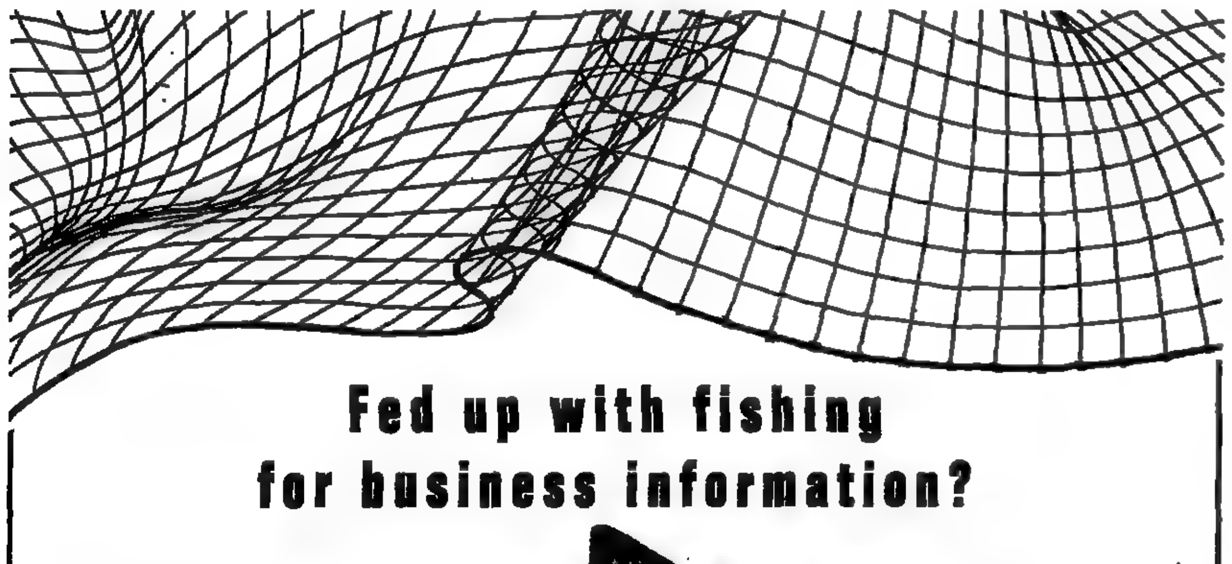
TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.



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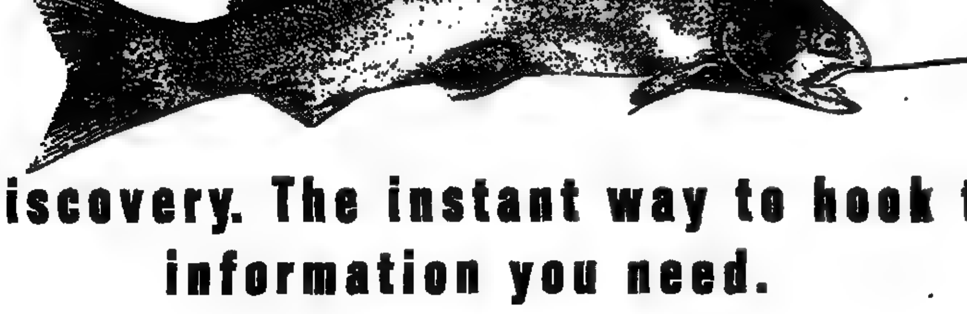

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 14 / Sch)

BELGIUM/LUXEMBOURG (Aug 14 / Frs.)

CZECH REP (Aug 14 / Korun)

DENMARK (Aug 14 / Kr)

FINLAND (Aug 14 / Mkk)

FRANCE (Aug 14 / Frs.)

GERMANY (Aug 14 / Dm.)

GREECE (Aug 14 / Drachma)

ITALY (Aug 14 / Lire)

NETHERLANDS (Aug 14 / Fl.)

NORWAY (Aug 14 / Kroner)

POLAND (Aug 14 / Zloty)

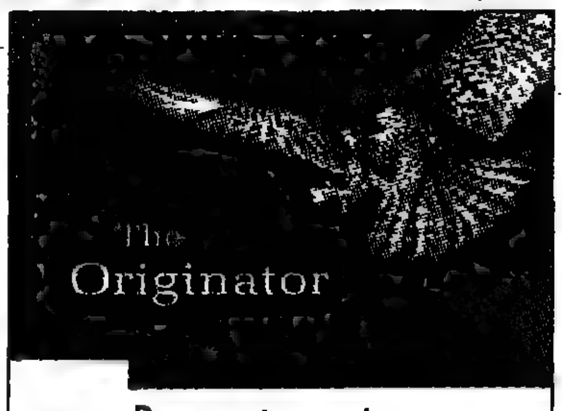
PORTUGAL (Aug 14 / Escudo)

SPAIN (Aug 14 / Pta.)

SWEDEN (Aug 14 / Kronor)

SWITZERLAND (Aug 14 / Frs.)

TURKEY (Aug 14 / TK Lira)



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PACIFIC

JAPAN (Aug 14 / Yen)

HONG KONG (Aug 14 / H.K.$)

INDONESIA (Aug 14 / Rupiah)

MALAYSIA (Aug 14 / MYR)

NEW ZEALAND (Aug 14 / NZ $)

SINGAPORE (Aug 14 / S$)

AUSTRALIA (Aug 14 / Aust$)

SOUTH KOREA (Aug 14 / Won)

TAIWAN (Aug 14 / TW $)

THAILAND (Aug 14 / Baht)

NORTH AMERICA

CANADA

TORONTO (Aug 14 / Can $) 4 pm close

MONTREAL (Aug 14 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Aug 14 / Rand)

INDICES

US INDICES

Composite‡	680.20	685.77	682.10	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¥	780.48	788.84	782.80	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.75	69.46	69.01	69.46 (12/8)	58.67 (10/1)	69.46 (12/8/96)	8.64 (1/10/74)
NYSE Comp.	352.82	355.13	353.44	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	549.79	552.52	550.80	614.88 (22/5)	525.60 (16/7)	614.88 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1128.07	1138.27	1137.27	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 9	Aug 2	Jul 26	Year ago
Dow Jones Ind. Div. Yield	2.21	2.20	2.28	2.48
	Aug 7	Jul 31	Jul 17	Year ago
S & P Ind. Div. yield	2.03	2.10	2.32	2.07
S & P Ind. P/E ratio	21.16	21.35	18.63	18.68

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Ph Morris	10,0585m	90	-3¾
Wal-Mart	8,535,600	26⅛	+¼
Pepsico	8,153,300	31⅛	+⅛
Nabisco	7,980,900	28¾	-1⅜
Micron Tech	4,319,500	23⅜	-⅝
Mirage Res	3,989,700	22	-1
Coca Cola	3,875,500	50¼	+½
Merck	3,485,800	66¼	-¼
AT & T	3,383,500	54⅛	-1⅜
IBM	2,979,000	109¼	-2⅜

■ TRADING ACTIVITY

● Volume (million)

	Aug 13	Aug 12	Aug 9
New York SE	341.534	314.409	325.151
Amex	18.846	15.804	16.971
NASDAQ	418.836	381.000	472.836
NYSE			
Issues Traded	3,176	3,146	3,147
Rises	833	1,244	1,244
Falls	1,477	1,034	1,023
Unchanged	866	868	880
New Highs	52	63	70
New Lows	26	18	19

INDEX FUTURES

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	682.00	682.85	+0.85	683.20	681.70	68,843	179,102
Dec	-	687.80	-	-	-	1,355	11,488

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	20760.0	20960.0	+130.0	21010.0	20740.0	15,777	235,563
Dec	20790.0	20930.0	+80.0	21010.0	20780.0	316	18,885

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 14, 1996

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	16.7m	373	+3
Toyota Motor	11.7m	2640	
NKK Corp	4.9m	299	+1
TYK Corp	4.8m	1140	-40
Nippon Stl Corp	3.8m	350	+7
Nippon Com Sys	3.6m	1520	+40
Fujitsu	3.0m	1010	+11
Daido Stl Sheet	2.8m	1190	-60
Kawasaki Hvy Ind	2.6m	515	+11
Sumitomo Mtl Ind	2.5m	321	+7

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close August 14

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

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- J -

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- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

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FINANCIAL TIMES

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4 pm close August 14

NYSE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close

Continued from previous page

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
20⅛	12	SclAtl	0.06	0.4	168	1236	13⅝	13¼	13½	
21	17	Scotsman	0.10	0.5	11	150	20½	20½	20½	
47½	38⅛	Scripps	0.52	1.2	25	338	44½	44	44½	+½
18⅛	13¾	ScuddrNAsF	0.02	0.1		84	13⅝	13⅜	13½	
12⅞	11	ScuddrNEuF	0.16	1.3		121	12½	12⅜	12⅜	
20½	16	SeaCntB x	0.17	0.9	2	18	18⅞	18⅝	18⅞	+½
16	15	SeaC1.4625	1.46	9.6		5	15¼	15¼	15¼	
67¾	36⅛	S'gate			25	8879	52¾	51⅛	51⅞	-½
38⅜	30⅞	Seagrm	0.60	1.8	23	2249	33¾	33⅝	33¾	
26	17⅛	Seagul En	1.20	6.6	11	882	18¼	18	18¼	+¼
38⅛	36	Sealed Air	0.64	1.7	25	558	37⅞	37¼	37⅝	+⅝
53⅞	38¼	SearsR	0.92	2.1	16	11792	45¼	44½	44⅞	+1¼
22⅜	18¼	SecCapStB x	1.24	5.9	19	544	21⅛	20¾	21⅛	+¼
13	11⅞	Seligm Sel x	0.84	6.8		51	12½	12⅜	12⅜	-⅛
23¾	13⅝	Sensormat x	0.22	1.3	15	2109	17⅝	17¼	17½	+¼
44⅜	29½	SequaA	0.60	1.4	109	89	41⅞	41⅜	41½	-⅜
50	39	SequaB	0.50	1.0	125	2	47¾	47¾	47¾	-¼
60¼	38⅞	ServCp	0.41	0.7	26	1725	57¼	56⅝	56⅝	-½
23½	19½	SvMstr	0.68	3.0	14	280	23	22⅝	22¾	
6¼	4½	ServMerch			10	2389	4⅞	4⅝	4¾	-⅛
48¼	28½	SGSThm			7	433	37½	37¼	37⅞	+⅜
15⅛	10⅝	Shaw Ind	0.30	2.0	38	3319	u15⅛	15	15⅛	+⅛
13½	10⅛	Shelby Wll	0.32	2.5	15	42	12⅞	12¾	12¾	
88⅞	76⅝	ShellTr	3.26	3.8	18	357	86½	85¾	86⅜	+⅛
47⅛	39	SherW	0.70	1.5	18	918	46	45¾	45¾	-¼
13⅝	7⅞	Shoneys			10	608	9½	9¼	9⅜	-⅛
25½	18¼	Showboat	0.10	0.5	28	2274	18⅞	d18⅝	18⅞	
28	22¾	Sierra Pac	1.18	4.6	11	667	25½	25	25½	+½
6	3½	SignalApp			0	3	3½	d3½	3½	
27¼	20	Signet Bnk x	0.80	3.4	12	1685	23¼	22⅞	23¼	+⅜
30⅝	20	SiliconGx			35	4525	23¼	23	23⅛	+¼
8¾	7⅜	Sizeler	0.88	10.2	29	235	8¾	8⅝	8⅝	-⅛
4¼	2¼	Sizzler	0.16	7.1	0	1641	2½	d2¼	2¼	-⅛

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 14

[illegible]

AMEX PRICES

4 pm close August 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		7	138	10½	10⅜	10½	+⅛
Pegasus B	0.10	113	700	11½	11⅜	11⅜	-¼
Penril	0.80	1	81	11	10⅝	10¾	+⅛
Pittway A	0.33	13	98	41⅞	41½	41⅝	
PMC	1.12	11	44	13¼	12⅞	13¼	+¼
RaganBrad		28	2100	31¼	31¼	31¼	
SJW Corp	2.22	9	5	38⅝	38¼	38⅜	+⅜
Tab Prods	0.20	12	186	7⅛	6⅞	7⅛	+⅛
Tel&Data	0.40	15	489	39¾	39	39⅝	+¼
Thermedics		43	228	27¼	26¾	27	
Thermotrs		28	152	34⅞	34½	34¾	+¼
TotPNA	0.30	151	168	10⅝	10½	10⅝	
TownCntry		3	237	¾	[illegible]	[illegible]	[illegible]
Triton		0	40	[illegible]	[illegible]	[illegible]	[illegible]
Tubos Mex		7	8214	u11½	10⅞	11½	+¼
TurnrBrA	0.07	117	80	26⅛	25¾	25¾	-⅛
TurnrBrB	0.07	117	162	26½	25¾	25¾	-½
UtdFoodsA	0.23	20	4	1⅝	d1⅝	1⅝	-⅛
UtdFoodsB	0.20	22	7	[illegible]	[illegible]	[illegible]	
US Cellul		18	578	31⅛	30¼	31	+⅞
ViacomA		114	1743	33⅞	33	33⅛	-¼
ViacomB		117	5500	34¾	33⅞	34	-½

[illegible]

Prices data supplied by Telekurs

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AMERICA

Dell Computer lifts technology sector

Wall Street

US shares were mostly flat to modestly lower in midsession, in spite of optimism in some parts of the technology sector, *writes Lisa Bransten in New York*.

At 1 pm the Dow Jones Industrial Average was off 9.25 at 5,638.03, the more broadly based Standard & Poor's 500 lost 1.14 at 659.06, and the American Stock Exchange composite was 0.23 weaker at 549.56. NYSE volume came in at 197m shares.

A strong earnings report from Dell Computer helped the sagging technology sector gain some ground. The Nasdaq composite, which is about 40 per cent technology shares, added 4.17 at 1,130.32 and the Pacific Stock Exchange technology index was 0.6 per cent stronger.

Dell rose $3¾ or 7 per cent at $60½ after announcing late on Tuesday that second quarter earnings rose 58 per cent to $1.05 per share, well ahead of the consensus forecast of 91 cents. Among other computer makers, Gateway 2000 rose $2 at $31⅞. Compaq computer $1⅞ at $58⅛ and IBM $1 at $110¼.

Some high-flying Internet companies, however, lost ground. Cybercash slipped $2 to $31¼ and Netscape Communications lost $1 at $39.

Several retailers gained ground after Tuesday's stronger-than-expected report of retail sales in July. Sears, Roebuck rose $1⅜ at $45, Wal-Mart was $¼ stronger at $26⅞ and Toys 'R Us climbed $1¼ at $28¼.

Merger and acquisition news moved several shares. American Re jumped $4⅞ or 8 per cent at $62¾ on news that Munich Re had agreed to buy the company for about $3.3bn or $65 a share. Ralcorp Holdings added $2¼ or 10 per cent at $22¼ after General Mills said it would buy several brand-name cereal lines from the company. Shares in General Mills slipped $⅝ at $55 on the news.

Canada

Toronto saw Comex gold down $1.40 to $391.80 at midday; the sector index headed briskly south, with a fall of 1.7 per cent in midsession; the TSE 300 composite index was 6.45 lower at noon, at 5,041.79, with volume relatively flat at 28.4m shares.

Arequipa Resources, subject of a takeover bid by Barrick Gold, said that it was continuing to examine assay results from its Pierina gold exploration project in Peru, and that the board was not yet prepared to make a recommendation on Barrick's C$27 a share offer. Arequipa rose another 20 cent after this, to C$28.90.

SOUTH AFRICA

Pressure on the rand and a heavy fall in De Beers contributed to an uncertain trading environment in Johannesburg. The currency slid to a three and a half month low against the dollar as hopes for a rise in interest rates receded. The overall index fell 70.4 to 6,621.4, industrials shed 66.4 to 7,855.7 and the gold index declined 20.7 to 1,782.4.

De Beers fell R3.50 or 3 per cent to *R131.50* on worries that a contract had yet to be finalised with Russia to join its diamond cartel, the Central Selling Organisation.

Buenos Aires regains calm

There was a calmer trading environment in **BUENOS AIRES** as investors reflected on Tuesday's 5 per cent decline. The Merval index was up 0.03 at 500.43 by midsession.

Some brokers said that the market's tumble during the course of the previous session, after the government had published its new economic programme which called for a number of austerity measures, was probably overdone.

Analysts yesterday criticised the government for an absence of public sector spending cuts, although there was speculation that such measures were being considered.

MEXICO CITY lost opening gains and by midday the IPC index was down 15.79 at 3,219.89. Probursa was the strongest gainer in early trade, up 1.72 per cent.

SAO PAULO was marginally higher at midday, although the expiration of futures contracts and Monday's options settlements was keeping activity volatile.

The Bovespa index was up 367 at 62,644 my midsession.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 9th 1996	% Change over week	% Change on Dec '95	Local currency terms: August 9th 1996	% Change over week	% Change on Dec '95
Latin America	(249)	528.12	-0.5	+12.0			
Argentina	(31)	821.46	-1.8	+2.5	503,326.91	-1.8	+2.4
Brazil	(68)	365.71	-1.2	+19.8	1,383.95	-1.0	+34.5
Chile	(43)	725.95	-1.1	-3.0	1,194.59	-1.5	-2.1
Colombia[1]	(15)	822.31	+2.3	+4.1	1,144.55	+1.3	+8.1
Mexico	(68)	531.97	+1.3	+17.4	1,724.40	+1.1	+14.5
Peru[2]	(21)	222.54	-2.2	+12.9	336.05	-1.9	+21.0
Venezuela[3]	(5)	496.02	-0.5	+48.3	5,400.62	-0.3	+106.9
Asia	(632)	250.74	+0.6	+8.0			
China[4]	(24)	58.83	+2.6	+8.7	61.71	+2.6	+8.6
South Korea[5]	(145)	104.96	+1.1	-16.6	112.40	+1.2	-12.5
Philippines	(35)	302.42	-3.5	+16.5	382.71	-3.5	+16.4
Taiwan, China[6]	(83)	144.51	+3.2	+28.1	148.99	+3.0	+29.0
India[7]	(76)	92.69	-0.7	+15.3	117.52	+0.0	+17.1
Indonesia[8]	(44)	109.95	-3.1	+0.2	139.87	-3.2	+2.5
Malaysia	(123)	310.35	+1.4	+14.5	285.35	+1.3	+12.3
Pakistan[9]	(25)	247.14	-1.1	+1.9	369.49	-1.1	+5.7
Sri Lanka[10]	(5)	94.90	+0.3	-5.5	114.66	+0.5	-5.2
Thailand	(72)	310.03	+1.4	-17.5	311.54	+1.6	-17.1
Euro/Mid East	(238)	134.92	-2.5	-4.7			
Czech Rep	(5)	72.79	-0.5	+21.3	64.52	+0.1	+21.3
Greece	(47)	241.64	-0.8	+0.0	387.27	-0.5	+0.1
Hungary[11]	(8)	163.59	-0.5	+66.2	295.52	-0.2	+82.6
Jordan	(8)	166.50	+2.1	-8.6	261.77	+2.1	-8.7
Poland[12]	(22)	682.08	+2.2	+60.0	1,167.57	+2.6	+76.4
Portugal	(26)	132.36	+1.9	+14.3	138.36	+1.9	+16.4
South Africa[13]	(63)	217.04	-1.9	-15.9	203.25	-0.7	+4.6
Turkey[14]	(54)	141.23	-10.0	+35.2	5,632.49	-9.0	+88.4
Zimbabwe[15]	(5)	366.62	-0.4	+33.5	538.75	-0.3	+42.9
Composite	(1119)	292.23	-0.4	+6.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1984=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1990; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

The Indonesian government said yesterday that it would allow companies to revalue their assets in an effort to boost the stock market. The measure is seen as an attempt to encourage more companies to seek a listing.

The stock market has been affected since riots struck Jakarta on July 27, and there have been fears that political turmoil may continue for some time.

The government said that companies would be allowed to revalue assets with immediate effect, and that the gains would be taxed at 10 per cent. The composite index fell 1.61 to 535.90 yesterday, bringing its loss since reaching a year's high at the end of April to 15 per cent in local currency terms.

● The Bombay stock exchange is to revamp the 30 share index, replacing half the companies listed, with effect from August 19. The regulatory authorities said that the readjustment was being made to reflect a broader percentage of market capitalisation. An official said that the new index would represent 33.3 per cent of the total market capitalisation, as against 25 per cent at present. There are more than 6,000 companies currently listed on the BSE, with a total market capitalisation of $168bn. It will be the first time the index constituents have been changed for more than 10 years.

EUROPE

Dollar helps stabilise quiet bourses

A stronger dollar offset Tuesday's Wall Street losses but **FRANKFURT** stayed quiet, toying with a number of situations as the Dax index eased 1.04 to an *Ibis*-indicated 2,544.61 in turnover DM1bn lower at DM5.9bn.

At Merrill Lynch, Mr Steve Reitman liked the long term prospects of BMW, and the carmaker recovered DM9 to DM843 after Tuesday's DM8 fall on more bearish comments from Mr John Lawson, of Salomon Brothers.

In chemicals, Hoechst reported higher than expected profits, and forecast a 30 per cent pre-tax gain for the whole of this year; a fall in the shares, 31 pfg to DM51.10, was put down to profit-taking.

Something similar seemed to be happening at Munich Re, after the world's largest reinsurance group signalled a push deeper into the US market with the $3.3bn acquisition of American Re. The German company's registered shares fell DM41.50 to DM3,541; but that still left them up over 30 per cent since the end of May, celebrating their pending inclusion in the Dax 30, which was virtually unchanged over the same period.

ZURICH was lifted by the dollar, and the implied improvement in prospects for exporters like Sandoz and Ciba which rose by SFr23 to SFr1,414, and SFr26 to SFr1,497 respectively, as the SMI index advanced 20.5 to 3,650.7.

Headline financials were relatively mixed. Swiss Re, which had been seen as a possible buyer for American Re, rose SFr19 to SFr1,268 after the Munich Re deal merged; but SBC fell SFr2.75 to SFr236, hit by profit-taking even after a 35 per cent jump in half year net profits.

AMSTERDAM was interested in Ahold, the retailer, for the second day running, following its announcement on Tuesday that it was to expand in the fast growing Asia market by forming a joint venture in Thailand. The shares rose 90 cents to Fl 87 as the AEX index put on 0.17 to 549.45.

The expansion news was greeted enthusiastically by many brokers. Robeco upgraded its recommendation from "neutral" to "buy", with eps of Fl 4.55 in 1996 rising to Fl 5.07 in 1997. Others noted that the deal with the privately-operated Central Group made Ahold the leading western supermarket chain investing in the Asian region. It was observed that the growth potential in Thailand was enormous: in the Netherlands, for instance, some 70 per cent of food goods were sold through supermarket chains, whereas in Thailand that figure was 15 per cent.

Elsewhere activity was subdued, with ABN Amro, which puts out first half results today, off 50 cents at Fl 93.30. Analysts' forecasts ranged between Fl 1.47bn and Fl 1.52bn, compared with Fl 1.24bn in the same 1995 period.

PARIS moved quietly into a four day break with the exception of Générale des Eaux which fell FFr17 or 3.3 per cent to FFr500 on reports, denied by the company, that it had issued a profits warning.

The CAC-40 index eased 1.05 to 1,979.5265, with turnover less than FFr2bn.

Sales figures came from Lyonnaise des Eaux, down FFr4 or 1 per cent to FFr452.4 after reporting a slight increase on the 1995 period, while Seita, the tobacco company which was in the news earlier this week, went in the other direction, up FFr5 or 2.3 per cent to FFr219 on good first half sales.

STOCKHOLM recovered from initial losses after Wall Street came in higher, and the Affärsvärlden General index closed 0.2 higher at 1,975.8 in light turnover of SKr2bn.

The car safety equipment manufacturer, Autoliv, was the star of the day, rising SKr7 to SKr208; its half year profits were slightly higher than expected, but the company also said that it expected to increase its share of the world's car airbag market to nearly 20 per cent by the year 2000, against the current 12 to 13 per cent.

COPENHAGEN closed at a new all-time high, the KFX rising 0.26 to 118.61 after the drugs and biotechnology group, Novo Nordisk, produced better than expected first half results.

Novo rose DKr24 to DKr872. Also in focus was Bang & Olufsen, the upmarket audio, video and television manufacturer: B & O undershot its growth targets for 1995-96 with an 8 per cent rise in profits, but stayed optimistic for the current year: the shares rose DKr5 to DKr200.

HELSINKI underperformed as Nokia A wobbled downwards again, FM3.30 lower at FM175.60, and forestry stocks fell 1.4 per cent on profit-taking and worries over higher pulp inventories. The Hex index closed 15.78 lower at 2,070.63.

MILAN liked Stet in early trade after a local newspaper reported that the government had decided to sell the utility in one bloc in February 1997. However, the report was denied and the shares, after a high of L4,785, closed L27 lower at L4,667. The Comit index eased 0.83 to 600.19 and the Mibtel was up 9 at 9,574.

TEL AVIV anticipated relatively low consumer price inflation for July, and the Mishtanim index recovered 1.93 to 175.01.

ISTANBUL retreated 1.6 per cent as investors took profits at the end of the interim corporate results season. The composite index lost 1,050.78 to 62,440.94 in turnover of TL6,200bn.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 14 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1638.03	1637.90	1637.48	1639.33	1639.03	1639.29	1639.35	1639.62
FT-SE Eurotrack 200	1701.57	1701.53	1700.67	1701.54	1700.84	1701.48	1702.94	1704.40

	Aug 13	Aug 12	Aug 9	Aug 8	Aug 7
FT-SE Eurotrack 100	1637.82	1633.83	1637.69	1643.77	1641.25
FT-SE Eurotrack 200	1701.88	1696.75	1700.34	1705.39	1702.51

Base value 1000 [illegible]; High/day: 100 - 1640.12; 200 - 1704.68 Low/day: 100 - 1637.27 200 - [illegible]. † Partial

ASIA PACIFIC

NTT shares lead as Nikkei rises again

Tokyo

Much of the region was depressed by Tuesday night's 1 per cent point fall in the Dow, but the Nikkei average came back from early lows to close at its high for the second day in succession, *writes Our Markets Staff*.

The 225 index ended 116.16 higher at 20,981.11 after bottoming at 20,728.30. Once again, high tech stocks led the way, but this time Nippon Telegraph and Telephone Corp (NTT) was in the van with a 6.2 per cent leap in active trading amid buying by foreign investors.

Volume fell from 267.9m shares to some 240m. Advances led declines by 702 to 293 with 205 unchanged. The Topix index of all first section stocks rose 9.02 to 1,589.73 and the Nikkei 300 by 1.56 to 296.20.

In London, the ISE/Nikkei 50 index rose 0.29 to 1417.05.

Traders said the telecoms appetite was fuelled by strong buy recommendations by some major foreign houses for NTT, expected to be a major beneficiary of rapid sector growth. NTT rose Y48,000 to Y823,000 in 15,355 shares.

Among other telecommunications-related shares, Matsushita Communication, a maker of telecoms equipment, put on Y80 to Y3,000 in 1.3m shares and Nippon Comsys, a telecoms engineering company, advanced Y40 to Y1,520 in 3.6m.

Today, said brokers, attention was likely to focus on Nintendo, the video games producer normally quoted from Osaka. Trading in Nintendo was suspended yesterday afternoon in Tokyo and Osaka following a report in the Japanese business daily, Nihon Keizai Shimbun. The report said interim parent current profits were likely to plunge by 70 per cent from a year earlier to Y19bn, and blamed slow sales of the 64-bit game machines launched in June.

Nintendo's shares were ask-only yesterday morning, last quoted Y400 or 5.2 per cent lower at Y7,340. A Nintendo spokesman later described the report as "groundless". The OSE average yesterday rose 143.99 to 21,858.34.

Roundup

The withdrawal of a coalition party from the Thai government threw its survival into question and **BANGKOK** slid 2 per cent. The SET index shed 22.26 at 1,093.04 in BT3.1bn turnover.

The Palang Dharma party announced it was leaving the seven-party coalition after a row over the approval of new banking licenses.

Brokers said the demise of the government, which had been blamed for a series of economic problems, might be welcomed by the market in the medium term, but short term uncertainty would persist until the political impasse was resolved.

The finance sector took the brunt of the session's loss, down 3.6 per cent.

SHENZHEN remained volatile as rumours persisted that the regulatory authorities in Beijing planned to ban mainland Chinese investors from buying B shares.

In spite of a denial by an official earlier this week, the B index eased 1.37 or 1.5 per cent to 87.82, in turnover of HK$32.1m compared with Tuesday's HK$60.5m.

SHANGHAI's domestic investors continued to take profits in B shares in case the authorities did impose trading restrictions. The B index slipped 0.36 to 52.49.

TAIPEI heard unconfirmed reports that Morgan Stanley had issued warrants on blue-chip financial shares, and the weighted index rose 48.77 to 6,373.93 in turnover of T$33.25bn.

Financials gained almost 2 per cent as a sector, with Chang Hwa Bank rising T$5 or 3.2 per cent to T$162.

SEOUL's enthusiasms were short term, and vulnerable, as the composite index fell 7.59 to 825.84. An Asia Cement bid for Dae Ryung, a satellite receiver maker, initially lifted both stocks but the bidder ended just Won100 up at Won32,000, after Won33,800, and the target Won1,900 lower at Won43,900 after Won48,300.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY AUGUST 13 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 12 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (80)	199.21	0.8	190.41	135.52	152.93	170.04	0.5	4.30	197.66	188.94	134.40	151.80	169.13	212.18	177.96	182.24
Austria (24)	181.47	-0.1	173.46	123.45	139.32	139.24	0.0	2.02	181.59	173.49	123.48	139.28	139.20	195.04	168.11	180.97
Belgium (27)	217.47	0.1	207.88	147.94	166.95	183.24	0.2	4.08	217.24	207.55	147.73	166.82	182.97	217.82	186.08	193.30
Brazil (28)	178.27	-0.8	170.39	121.27	136.86	332.17	-0.8	1.92	179.80	171.78	122.26	137.90	334.83	189.70	123.97	147.44
Canada (118)	159.58	-0.6	152.53	108.56	122.52	158.80	-0.3	2.25	160.49	153.33	109.13	123.09	159.36	166.12	134.14	146.86
Denmark (30)	316.51	0.2	302.53	215.32	242.99	246.10	0.3	1.67	315.95	301.85	214.85	242.31	245.29	316.51	278.89	286.45
Finland (23)	210.08	0.5	200.80	142.91	161.28	195.98	0.5	2.55	209.15	199.81	142.22	160.41	195.02	276.11	171.79	259.90
France (95)	189.08	-0.1	180.72	128.62	145.16	150.05	0.1	3.21	189.26	180.81	128.69	145.16	149.86	198.39	167.70	184.59
Germany (58)	176.72	0.2	168.91	120.22	135.67	135.67	0.3	1.80	176.27	168.41	119.86	135.20	135.20	176.72	155.86	161.84
Hong Kong (59)	427.88	-0.1	408.97	291.07	328.49	424.84	-0.1	3.44	428.40	409.28	291.31	328.58	425.49	451.19	348.81	353.91
Indonesia (27)	187.76	-1.1	179.46	127.73	144.14	269.41	-1.1	1.76	189.85	181.38	129.10	145.61	272.53	–	–	–
Ireland (16)	287.48	0.7	274.78	195.57	220.70	251.43	0.9	3.46	285.40	272.66	194.07	218.90	249.29	290.82	235.88	242.72
Italy (58)	76.02	-0.1	72.66	51.71	58.36	86.07	0.0	2.49	76.07	72.68	51.73	58.34	86.10	84.58	67.22	81.71
Japan (481)	147.86	0.5	141.33	100.59	113.52	100.59	0.6	0.76	147.09	140.53	100.02	112.82	100.02	164.68	137.76	145.69
Malaysia (107)	542.90	0.0	518.92	369.32	416.79	521.45	0.1	1.73	542.88	518.61	369.12	416.36	521.09	585.09	425.77	544.77
Mexico (19)	1244.53	-0.6	1189.55	846.63	955.44	10192.36	-0.9	1.31	1251.94	1196.07	851.31	960.22	10283.13	1325.65	791.99	1197.57
Netherland (19)	297.30	0.0	284.17	202.25	228.24	224.83	0.1	3.22	297.37	284.10	202.21	228.08	224.71	299.69	245.79	258.63
New Zealand (15)	80.91	0.2	77.34	55.04	62.12	62.75	0.4	4.32	80.77	77.17	54.92	61.95	62.48	84.71	75.94	81.77
Norway (35)	247.16	-0.3	236.24	168.13	189.75	214.43	-0.3	2.11	247.83	236.77	168.52	190.08	215.13	258.94	222.24	234.52
Philippines (22)	200.59	1.7	191.73	136.46	154.00	261.76	1.6	0.63	197.28	188.48	134.15	151.31	257.54	–	–	–
Singapore (44)	388.52	-0.5	371.35	264.30	298.27	252.97	-0.6	1.50	390.42	373.00	265.49	299.45	254.46	465.21	355.81	368.05
South Africa (44)	333.18	0.5	318.46	226.66	255.79	330.26	0.3	2.26	331.71	316.90	225.56	254.41	329.37	437.78	329.57	353.87
Spain (37)	176.51	0.3	168.71	120.07	135.51	168.15	0.3	3.48	175.95	168.09	119.64	134.95	167.56	183.85	145.15	157.58
Sweden (48)	354.64	0.4	338.97	241.25	272.26	348.94	0.3	2.45	353.19	337.43	240.17	270.89	347.84	380.77	280.57	284.75
Switzerland (37)	247.52	0.2	236.58	168.38	190.02	184.16	0.2	1.61	247.08	236.06	168.02	189.51	183.79	252.34	191.24	195.88
Thailand (45)	146.43	-1.1	139.96	99.61	112.41	143.63	-1.2	2.32	148.11	141.50	100.72	113.60	145.32	193.95	141.28	165.07
United Kingdom (199)	240.35	0.5	229.74	163.51	184.52	229.74	0.5	4.15	239.25	228.57	162.69	183.50	228.57	240.35	216.52	221.66
USA (625)	268.68	-0.8	256.81	182.78	206.27	268.68	-0.8	2.20	270.90	258.81	184.21	207.78	270.90	276.47	226.74	226.74
Americas (790)	245.59	-0.8	234.74	167.07	188.55	206.53	-0.8	2.19	247.59	236.54	168.36	189.90	208.20	252.43	206.19	206.19
Europe (706)	212.88	0.2	203.48	144.82	163.43	183.09	0.3	3.10	212.37	202.89	144.41	162.88	182.62	213.30	189.33	193.92
Nordic (136)	308.74	0.3	295.10	210.03	237.03	264.42	0.3	2.33	307.81	294.07	209.31	236.06	263.75	308.74	261.13	275.64
Pacific Basin (880)	160.87	0.4	153.76	109.43	123.50	111.86	0.5	1.23	160.17	153.02	108.91	122.85	111.35	177.01	148.86	166.31
Euro-Pacific (1586)	182.42	0.3	174.36	124.09	140.04	138.75	0.4	2.14	181.79	173.66	123.62	139.43	138.22	190.57	166.51	171.89
North America (743)	261.97	-0.8	250.40	178.22	201.12	261.37	-0.8	2.20	264.11	252.32	179.59	202.57	263.47	269.52	221.79	221.79
Europe Ex. UK (507)	193.01	0.1	184.48	131.30	148.17	156.37	0.2	2.53	192.77	184.17	131.08	147.85	156.06	194.86	169.65	174.58
Pacific Ex. Japan (399)	280.56	0.1	268.17	190.86	215.39	243.03	0.0	3.06	280.27	267.77	190.58	214.97	242.94	296.68	243.59	257.31
World Ex. US (1795)	183.61	0.3	175.50	124.91	140.96	143.32	0.3	2.14	183.07	174.90	124.49	140.41	142.83	191.55	167.38	173.11
World Ex. UK (2221)	207.00	-0.2	197.86	140.82	158.92	174.39	-0.2	1.96	207.51	198.25	141.11	159.16	174.78	213.05	185.61	186.51
World Ex. Japan (1939)	243.76	-0.4	232.99	165.82	187.13	229.68	-0.4	2.56	244.69	233.77	166.39	187.67	230.81	247.55	212.62	214.07
The World Index (2420)	209.91	-0.2	200.64	142.80	161.15	179.37	-0.2	2.16	210.30	200.91	143.00	161.29	179.85	214.95	186.49	189.39

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Suharto opponent may face arrest

By Manuela Saragosa in Jakarta

Indonesia's embattled opposition figurehead, Ms Megawati Sukarnoputri, yesterday said she "cannot rule out" the possibility of her arrest, a move which could spark further political unrest.

"It could happen," Ms Megawati said yesterday in an interview with the Financial Times. The ousted leader of the opposition Indonesian Democratic party (PDI), replaced by a government-backed candidate earlier this year, is due to turn up for a second session of police questioning in Jakarta today.

Separately, President Suharto, in a rare interview published in the Japanese newspaper Nihon Keizei Shimbun yesterday, said the issue of Ms Megawati's arrest "will be decided by the law after the questioning". "Ms Megawati is being questioned for allowing such forces to take advantage of her party's conflicts and political gatherings," he said.

Tomorrow, President Suharto will deliver his annual state of the nation speech, which is likely to provide some indication of how he plans to deal with the political unrest. The president will speak to Indonesia's parliament – on the eve of the country's 51st anniversary of independence – in an address which will be broadcast live by state television.

The president told the Japanese newspaper he had yet to decide whether to run for president in the next elections in 1998, but added: "There is a need to prepare the next leader." Earlier this week the president promoted his son-in-law within the military in a move seen as grooming him to succeed the ageing Indonesian leader, who is aged 75.

Ms Megawati said she felt "calm" about the prospect of arrest. "I am very clear about my life, my nation and my respect for the [Indonesian] people."

She was questioned for more than six hours last week at Jakarta police headquarters about rioting and looting which rocked the capital on July 27. Riots started after police forcibly evicted Ms Megawati's supporters from the PDI's headquarters in Jakarta.

However, Ms Megawati said there were other causes beyond her removal from the PDI leadership behind last month's riots. "There are many problems in Indonesia in this period which cannot be properly resolved. Especially big problems such as corruption, collusion, unemployment [among other things]."

In the aftermath of the riots, the authorities cracked down on critics of the government and many people were arrested.

Australia names central banker

By Nikki Tait in Sydney

Mr Ian Macfarlane has been named next governor of Australia's Reserve Bank, the central monetary authority, in an announcement which brings to an end months of speculation.

Mr Macfarlane, who is one of two deputy governors and has been with the bank since the late-1970s, was the heavily-favoured candidate. He will take over from Mr Bernie Fraser next month. Mr Fraser was appointed under a former Labor government and has already indicated he will not seek reappointment when his seven-year term ends on September 17.

In a second announcement, Mr Peter Costello, federal treasurer, said Mr Hugh Morgan, the influential but sometimes controversial head of WMC, the large mining group, would fill the Reserve Bank board vacancy left by the resignation of Mr Bill Kelty, a union leader. Mr Morgan had served on the RBA board between 1981 and 1984.

The choice of Mr Macfarlane is likely to be welcomed by the financial community. He is generally perceived as more "hawkish" on inflation than his predecessor, although the two have always appeared to have a harmonious relationship, and Mr Macfarlane has kept a low public profile until recently.

A hint of his views came in an address to a Metal Trades Industry Association conference earlier this year, when he noted that monetary policy in Australia was "increasingly focused on the need to maintain low inflation.

"I want to remind you that we now live, work and aim to sell our output in a world characterised by low inflation and relatively low pricing power by business and labour. People who fail to recognise this, and who slip back into the habits of thought of the 1970s and 1980s, will pay a heavy price, and, by extension, so will the whole community," he said.

Mr Costello accompanied news of Mr Macfarlane's appointment with a statement on "the conduct of monetary policy" in Australia, and an exchange of letters setting out the government's and the governor-designate's endorsement of this.

The statement reiterates the bank's existing objective of "keeping underlying inflation between 2 and 3 per cent, on average, over the cycle".

● Australia's federal government is to extend by two years the deadline imposed on foreign banks for converting their Australian subsidiaries into local branches. The new deadline will be December 22 1998, with the transfer of assets and liabilities by late 2000.

China snubs Murdoch's TV 'dreams'

By Tony Walker in Beijing

China has again poured cold water on the ambitions of Mr Rupert Murdoch to secure access to the fast growing China cable television market for his loss-making Hong Kong-based Star TV network.

Mr Li Kehan, a deputy director of the Ministry of Radio Film and Television, said recent claims by Mr Murdoch that he was on the verge of securing access to China were incorrect and premature.

In unusually forthright comments, Mr Li, who is responsible for overseeing the development of the cable industry, said: "A large proportion of what Mr Murdoch says is groundless."

"Mr Murdoch has a lot of beautiful dreams, but at this stage I don't think it will be possible in China for him to realise them," Mr Li said of proposals that China Central Television (CCTV) re-transmit Star TV on cable networks throughout the country.

Star TV recently formed a separate Chinese Mandarin language service, known as Phoenix, in partnership with two Hong Kong-based companies, to improve penetration of the China market, but earlier claims of a mainland partner evaporated.

The Murdoch organisation had indicated that either CCTV or the Ministry of Radio Film and Television might joint a consortium to provide cable services in China. Under the proposal the mainland partner would collect subscriptions on behalf of Star, thus facilitating a lucrative revenue stream.

Beijing is most wary of foreign involvement in its media, and has banned direct access to international broadcasts except in three-star hotels and above, which are used predominantly by foreigners.

Star TV, which cost Mr Murdoch $500m in 1993, is expected to lose between $80m-$100m this year. The network may end up requiring investment of $1bn before it turns a profit, according to industry estimates.

The latest sharp criticism of Mr Murdoch's China ambitions is certain to be disappointing for Star TV executives, who have been under considerable pressure to secure direct access to the mainland's exploding cable networks.

Mr Li of the Ministry of Radio, Film and Television also cast doubt on claims by Star that it is reaching 30m households in China by way of satellite and cable broadcasts. This was a "sheer one-sided view" and "not possible", he said.

He noted there were some 76,000 "legal" satellite dishes in China, and perhaps no more than 1,000 illegal dishes, known colloquially as "woks". China has banned private satellite dishes to contain the spread of foreign broadcasts.

While Mr Li is almost certainly underestimating the spread of illegal dishes, Star TV's claims appear to be on the high side. China has some 45m cable subscribers.

Japan's Liberal Democrats return to pre-eminence

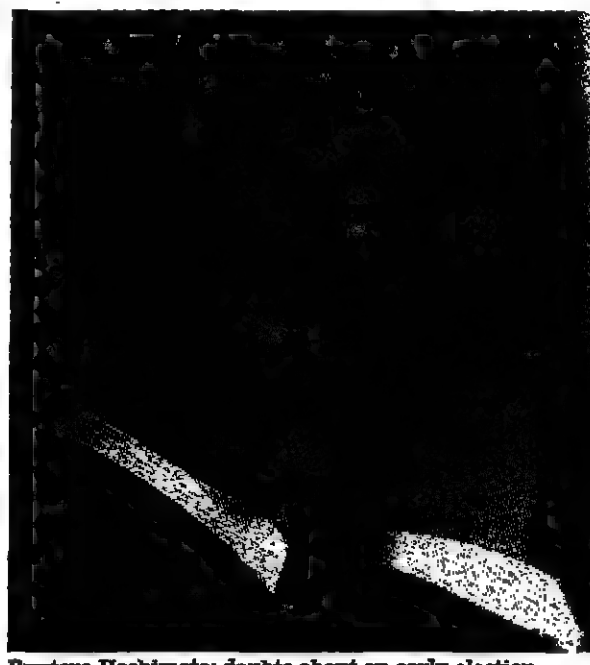
In the smothering heat of an August morning seven elderly men in formal suits will today enact a symbolic ritual by filing solemnly into the inner sanctum of the Yasukuni shrine in central Tokyo.

The seven, all cabinet members, will be honouring the memory of the Japanese war dead on the fifty-first anniversary of the country's surrender at the end of the second world war. The symbolism of Shinto ritual will be rich historically and politically. The event marks nothing less than the full return to national ascendancy of the Liberal Democratic party.

For the last few years, the ceremony has been a deliberately low-key affair, reflecting the controversial nature of the shrine in Japanese political life. Among the souls enshrined at Yasukuni are those of the Class A war criminals tried and hanged by the Allies at the end of the war. Since the LDP fell from national grace a few years ago, their politicians have been wary of making too much of a public display of their devotion. But not this year.

They took their cue from the prime minister, Mr Ryutaro Hashimoto, who two weeks ago became the first head of government to visit the shrine since the glory days of LDP ascendancy 11 years ago. It was a sure sign of the return to pre-eminence of the party that neither the Social Democrats, nor the New Harbinger party, the other coalition members, felt able to criticise the visits.

Now Mr Hashimoto and his colleagues are entering the last stage of the consolidation of the LDP's recovery. In the next few months, he must make the most crucial decision of his prime ministership – when to call an election. If he gets it right, he has every prospect of cementing the party's long-term political ascendancy.



Ryutaro Hashimoto: doubts about an early election *Reuter*

It has been a remarkably even-paced march back to restoration for the LDP. Ousted in 1993 after nearly 40 years in power, the party was forced to cool its heels in opposition for a year. By the summer of 1994, it was back in government, in a coalition with its two unlikely new allies, under a socialist prime minister. Then in January this year, it recovered the prime ministership when Mr Hashimoto was elected by members of parliament, though still thanks partly to the votes of fellow coalition members.

A general election for the main, lower house of the Japanese parliament has to be held some time between now and next June. A new electoral system – part single-member seat, part multi-member, clouds accurate prognostications about the outcome, but LDP leaders clearly believe they can secure a clear majority.

With an approval rating now above 40 per cent, the party can look forward to the election with real hope.

Consequently, leading figures are pressing for an election soon, perhaps as early as October. They say delay would bring risks.

This autumn the government faces another difficult series of legislative battles. The main business of the special session of parliament, scheduled to open in September, will be the continuing controversy over the renewal of land leases for the US forces on Okinawa. The SDP has threatened to oppose some of the proposals; an early election would scupper that.

The attraction of exploiting the current disarray in the main opposition New Frontier party will also prove hard to resist. Deeply riven by personal and policy differences the party is in no condition to fight an early general election.

But Mr Hashimoto himself is not so sure. He is said to favour delaying an election until the new year for two main tactical reasons.

The benefits of the gradually recovering economy have not yet seeped through to ordinary voters. In the autumn, the Bank of Japan is likely to raise interest rates and, in Japan, that is, paradoxically, popular – as the country's famously plentiful savers benefit from higher deposit rates.

In addition, there is a series of autumn international photo opportunities that will enhance Mr Hashimoto's status. These include the annual Asia-Pacific Economic Co-operation forum meeting and a possible visit to the US.

But, most important, the prime minister may have given the real game away last week. He suggested an election should not be held until after the passage of the planned supplementary budget, probably in December.

This may be the clinching consideration for the LDP. That budget is expected to provide for hefty new spending on construction projects. The big builders are almost all big financial supporters of the LDP, which can be expected to repay the government's generosity in full with party contributions.

The LDP is strapped for cash, since the new electoral system is proving as costly as the old one in terms of buying up support in the party's heartlands. Mr Hashimoto knows too well it would be churlish to enter a campaign without a full war chest. Given the stakes – nothing less than a chance to restore the LDP to its historic position of dominance in the country's politics, Mr Hashimoto is unlikely to get his timing wrong.

Gerard Baker

Prime Minister Ryutaro Hashimoto yesterday issued Japan's first written apology to women forced into sex slavery by the Japanese army during the second world war, Reuter reports from Tokyo.

ASIA-PACIFIC NEWS DIGEST

China in talks on oil with Iraq

China, faced with an ever-growing energy demand, is holding discussions with Iraq to co-operate in seismic studies and exploration in Iraqi oilfields, China oil officials said yesterday.

"We are discussing with Iraq to co-operate in oil seismic studies and exploration," a source from the state-run oil industry said by phone from Beijing. "We are discussing possibilities in one Iraqi oilfield... but we have not signed any agreement," he added. He declined to say when a deal could be clinched or name the oilfield.

Iraq, under strict UN sanctions since its 1990 invasion of Kuwait, was formally given permission last week to sell $2bn worth of oil every six months, on a renewable basis, to buy food and medicine for the Iraqi people. Iraq has the world's second biggest oil reserves after Saudi Arabia. Its proven reserves are more than 112bn barrels (11 per cent of world total). *Reuter, Hong Kong*

Manila rejects call to devalue

The Philippine central bank yesterday rejected calls by a senior cabinet minister for the monetary authorities to engineer a depreciation of the Philippine peso to boost the country's export earnings. In signs of growing tension between the central bank and a vocal exporters' lobby, the central bank denied the peso was overvalued against the US dollar, reiterating its commitment to a market-determined rate. The peso has depreciated about 5 per cent over the past 12 months. The central bank, which has intervened heavily to prevent the currency from appreciating over the past six months, boosting foreign exchange reserves to over $11bn (under $7bn at the start of the year), said it would stick to its "successful" strategy. The bank's stated policy is to intervene to curb excessive fluctuations in the peso/dollar rate. *Edward Luce, Manila*

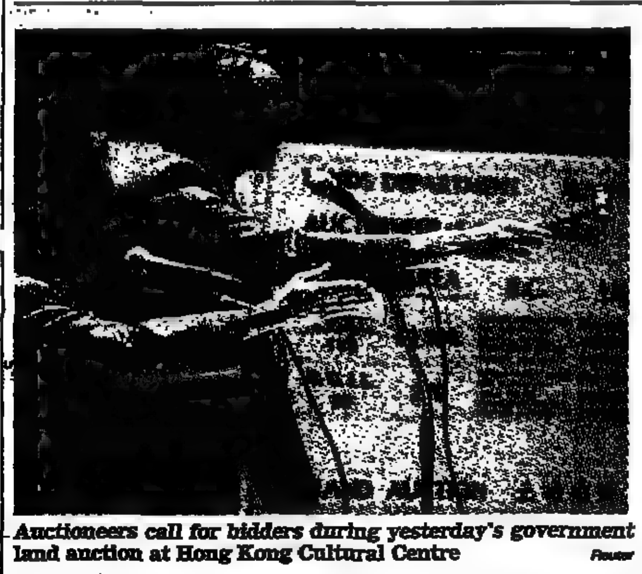
Karachi gunmen kill 11

At least 11 people were killed and another three injured yesterday when unknown gunmen opened fire at a rally organised by a Sunni Moslem group in Karachi.

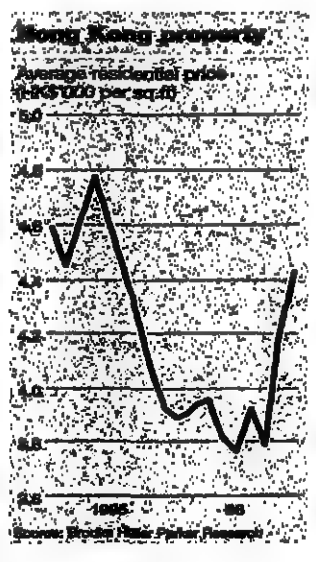
The rally was organised by the Anjuman Sipah-e-Sahaba Pakistan (ASSP) to mark independence day celebrations.

The ASSP is known as one of Pakistan's most militant religious organisations. It has campaigned for years for a government ban on the religious activities of the country's Shia Moslem minority.

The killings immediately triggered fears of an escalation in violence between rival Moslem groups. Tempers have been running high in parts of Pakistan recently, since the killing of four prominent Shias, who included a senior bureaucrat. *Farhan Bokhari, Islamabad*



Auctioneers call for bidders during yesterday's government land auction at Hong Kong Cultural Centre *Reuter*



Land sale prices lift spirits in Hong Kong

By John Ridding in Hong Kong

In land-scarce Hong Kong, where swings in property prices underpin the economic mood, yesterday's land auction provided a welcome surprise.

The sale revealed a gathering momentum in the residential sector as bidding between some of the territory's biggest property groups pushed prices beyond expectation. The main site on offer sold for HK$535m ($69m), compared with the HK$400m-HK$500m range predicted by many analysts.

Residential property prices have increased by about 15 per cent this year following the protracted slump of 1994-95.

"It [the sale] shows improved confidence in the sector," said Mr Euan Weir, property analyst at Merrill Lynch in Hong Kong. "It was a good price and a good buyer," he added, referring to Henderson Land, the successful bidder and one of the territory's blue-chip property companies.

For Mr David Faulkner, partner at Brooke Hillier Parker, the price suggested the big property companies were viewing market prospects optimistically. "The market is coming back strongly, although it is not as strong as the early 1990s," he said.

But several analysts urged caution. The main site to be sold was relatively small, at 21,200 square metres; recovery in other sectors of the market, notably office property, has been slower.

The main site, situated in the New Territories on the Chinese mainland, will be used for town-house development. A smaller plot was also sold, achieving HK$17m for a 276 square metre site on the Hong Kong coast.

Shares in Hong Kong were lifted by the auction: the Hang Seng index climbed from a low of 11,096 to close at 11,167. The property sector is one of the main indicators of economic confidence in the territory, which returns to Chinese sovereignty next July.

Mr Daryl Ho, economist at Jardine Fleming, said the property market revival was likely to feed through into the sluggish retail sector in the second half. Weak consumer spending has been one of the main reasons for the lacklustre performance in the colony's economy, which expanded 3.1 per cent in the first quarter.

The government is forecasting a 5 per cent rise in gross domestic product this year. Many economists predict gathering momentum through the second half of the year, but believe this target is ambitious.

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LEGAL NOTICES

Case 7621 of 1995
IN THE MATTER OF
KOBE REINSURANCE SA
AND
IN THE MATTER OF
THE INSOLVENCY ACT 1986
(Under Compulsory Winding - up Order dated 24 January 1996)

NOTICE IS HEREBY GIVEN pursuant to Rule 4.54 of the Insolvency Rules 1986 that a MEETING of the CREDITORS of the above-named company which has been summoned by the Joint Liquidators under section 141(2) of the Insolvency Act 1986 will be held on 5 September 1996 at 11.00am at the Great Hall, Chartered Insurance Institute, 20 Aldermanbury Square, London, EC2V 7HY.
For the following purpose(s):- for determining if a creditors' committee is required and, if so, for the purposes of establishing a committee.
A proxy form is available which must be lodged with me not later than 12 noon on 4 September 1996.
C J Hughes
Joint Liquidator
Plumtree Court, London EC4A 4HT
Date this 13th day of August 1996

Case 7622 of 1995
IN THE MATTER OF
DAI ICHI KYOTO REINSURANCE SA
AND
IN THE MATTER OF
THE INSOLVENCY ACT 1986
(Under Compulsory Winding - Up order dated 24 January 1996)

NOTICE IS HEREBY GIVEN pursuant to rule 4.54 of the Insolvency Rules 1986 that a MEETING of the CREDITORS of the above - named company which has been summoned by the Joint Liquidators under Section 141(2) of the Insolvency Act 1986 will be held on 5 September 1996 at 11.00 am at the Great Hall, Chartered Insurance Institute, 20 Aldermanbury Square, London, EC2V 7HY.
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C J Hughes
Joint Liquidator
Plumtree Court
London EC4A 4HT
Date this 13th day of August 1996

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MPs highlight importance of intergovernmental conference

'Isolated' EU position forecast

By Robert Peston, Political Editor

The government's increasing isolation from other European countries over the future of the European Union was highlighted yesterday by the foreign affairs committee of the House of Commons. But the committee supported the broad thrust of the government's proposals for the intergovernmental conference on reforming the EU's institutions.

"There is a real prospect that the United Kingdom may find itself isolated on a number of major issues," the committee concluded in a report on the intergovernmental conference (IGC).

It drew attention to evidence given by Sir Stephen Wall, the UK's ambassador to the EU, that many European countries "worry about whether we [the UK] remain committed to making a success of our membership of the European Union".

The committee warned the government that it had probably underestimated the importance of the IGC. The committee is chaired by the MP Mr David Howell who has recently become mildly Eurosceptic in his views.

The government's view that the conference was the equivalent of a "5,000 mile [car] service" for the EU's institutions understated "the expectations of other member states".

The committee's report also contained a letter from the chancellor of the exchequer, Mr Kenneth Clarke, pledging that the government would "have no hesitation" in vetoing any treaty amendment designed to force sterling to rejoin the European Exchange Rate Mechanism.

Mr Clarke wrote: "The government's position remains that while exchange rate stability is desirable, the way to achieve it is through the common pursuit of sound fiscal and monetary policies."

Meanwhile Mr Peter Shore, the arch-Eurosceptic former minister in the opposition Labour party also on the committee, said there was "very little evidence" the UK was "winning the argument" on the priorities for the IGC.

The committee supported the government's opposition to the extension of majority voting in EU affairs, especially in the areas of justice, home affairs and foreign policy. It feared, however, that there would be a "concerted attempt at the IGC" for justice and home affairs to be transferred into the main decision-making apparatus of the EU.

The MPs were particularly concerned about the apparently increasing power of the European Court of Justice. They recommended that special intergovernment conferences should be held to review court judgments based on controversial interpretations of the EU's founding treaty.

Principles of Lloyd's rescue plan challenged

By John Mason, Law Courts Correspondent

The proposed restructuring of Lloyd's of London breaches the fundamental principle behind the insurance market – that Names should be responsible for their own losses, the High Court was told yesterday.

In a judicial review challenging the legality of the "reconstruction and renewal" proposals put forward by the Council of Lloyd's, Names claimed the plans were unlawful because they meant some Names – individuals whose assets have traditionally supported the market – would be subsidising losses incurred by others.

The case is being brought by the Paying Names Action Group which claims its members are being unfairly discriminated against because they paid all their debts following the large scale losses incurred at Lloyd's in the 1980s.

The council of Lloyd's strongly opposes the case, saying the reconstruction proposals could be wrecked if it succeeded.

The lawyer opening for the Names, Mr Richard Gordon, said the proposed system of compulsory premiums infringed the principle of several liability that underlined the market.

Mr Gordon said the proposed system of "debt credits" also discriminated against those Names who had paid their debts.

The hearing is expected to last until Friday. The judge was originally planning to give his judgment on the case next Monday. However the lawyer for the Council of Lloyd's, urged him to give his decision on Friday if possible.

Should Lloyd's lose the judicial review, it would take the case to the Court of Appeal as quickly as possible, probably next Tuesday. The deadline for Names accepting the proposals is August 28. The question of the legality of the restructuring plans must be finally settled before then.

Lydia van der Meer

Rally: Striking postal workers in London yesterday showed solidarity against Royal Mail

Strikes hit six-year high

By Robert Taylor, Employment Editor

June was the worst month for industrial conflict in the UK for more than six years according to figures published yesterday by the Office for National Statistics. Provisional estimates indicate 228,000 working days were lost during the month because of labour disputes – the highest figure since March 1990, when 236,000 working days were lost as a result of strikes.

The rise in industrial conflict could mark the beginning of a rising trend in labour militancy that some observers in industry believe could lead to widespread strike action during the coming winter.

During the twelve months to this June, 592,000 working days were lost as a result of strikes in 233 stoppages involving 235,000 workers.

Official strike statistics in the UK only cover disputes that are connected with the terms and conditions of employment. The marathon dispute still going on at Liverpool docks that began last September has never been recorded in the official figures because the workers concerned were dismissed by their employer.

Those disputes that involve fewer than 10 workers or lasting less than one day are excluded from the government's figures except where the aggregate of working days lost exceeds 100.

Publisher in royalty row with composers

By Alice Rawsthorn, in London

Thorn EMI is threatened with legal action from UK songwriters claiming they are owed substantial sums in unpaid earnings from other countries. The threat comes on the eve of tomorrow's extraordinary general meeting at which Thorn EMI shareholders will vote on proposals to demerge the Thorn rental chain from the EMI music group.

If the songwriters win their battle against EMI, it could have significant implications for the rest of the $40bn ($62bn)-a-year global music industry, as other multinational music groups might face similar claims.

The action has been instigated by the British Academy of Songwriters Composers and Authors, whose members account for 75 per cent of royalties earned by UK composers. About 50 Basca members are involved in the EMI action, most of whom signed publishing contracts with independent UK publishers subsequently taken over by EMI.

Under original contracts any royalties earned in the UK were split 50:50 between composer and publisher. Rights elsewhere were handled by "sub-publishers" in other countries, which kept 50 per cent of the royalties and returned the rest to the UK publisher to be divided equally with the composer.

After EMI acquired the UK independent publishers, it started to handle non-UK rights through its own music publishing subsidiaries. Other music groups did the same when they expanded internationally.

Some composers have since claimed if the same publishing company is handling their work internationally, they should receive 50 per cent of the proceeds rather than 25 per cent as they did. Ms Amanda Harcourt, general secretary of Basca, said some companies, including PolyGram and Warner, had agreed to these claims, but EMI had refused.

Basca has taken legal advice and claims its lawyers have concluded that EMI is in breach of its fiduciary duty to the composers, who are thus entitled to claim compensation for their "lost" foreign earnings. Ms Harcourt said Basca would instruct its solicitors to contact EMI, adding that, if necessary, Basca is prepared to take the company to court.

Thorn EMI declined to comment "until we have seen the charges". It said its music publishing subsidiary, which represents 10,000 UK composers, had received one letter of complaint "several years ago".

UK NEWS DIGEST

Jobless fall gathers pace

The fall in Britain's unemployment total gathered pace last month. With average earnings also rising unexpectedly quickly in the year to June, this appears to limit the scope for another cut in interest rates.

The number of people without work and claiming benefits fell by a seasonally adjusted 24,100 last month, the Office for National Statistics said yesterday. This reduced the total to 2,126,200, its lowest level since early 1991.

Average earnings growth was stronger than City of London economists had predicted, but remains in the 3 to 4 per cent band it has occupied for the last three and a half years. Earnings rose by an underlying 3.75 per cent in the year to June, with the figure for the previous month revised up by a quarter-point to the same level.

Robert Chote

Samuel Brittan, Page 8

■ POLITICS

Opposition plans to woo business

Mr Tony Blair, leader of the opposition Labour party, will next month make his most determined pitch yet to win over the business community by making five pledges to underpin the economic policy of a Labour government.

The five "early" pledges to business provide a broad yardstick by which a first Blair administration could be judged. They are:

- to set tough rules for government spending and borrowing, ensure low inflation and strengthen the economy so that interest rates are as low as possible and to promote a tax system which is fair, encourages employment and promotes investment
- establish a central role for Britain in a Europe that is outward-looking and anti-protectionist
- raise standards in all schools and promote new opportunities for workers to learn new skills
- promote the interests of small business and take tough action on late payment
- a new partnership between government and business to improve Britain's competitiveness.

John Kampfner

■ INTERNET

Browser competition rises

Internet service providers should co-operate in developing services which use features such as the Platform for Internet Content Selection, (Pics), Mr Ian Taylor, minister for science, said yesterday at the launch of Microsoft's new Internet Explorer Web browser software.

Pics, which is based on content labelling similar to the film-rating system, allows parents, teachers and others to screen out undesirable material."Pics leads the market and Microsoft's action in implementing it shows the way for others to follow," said Mr Taylor.

British Telecommunications, CompuServer, Demon, Ireland Online, MSN and UUNet Pipex said they would adopt the product in a move which ups the stakes in the battle between Microsoft and Netscape Communications which currently dominates the browser market with its Navigator product.

Paul Taylor

■ BRANDING

Kellogg challenges Tesco design

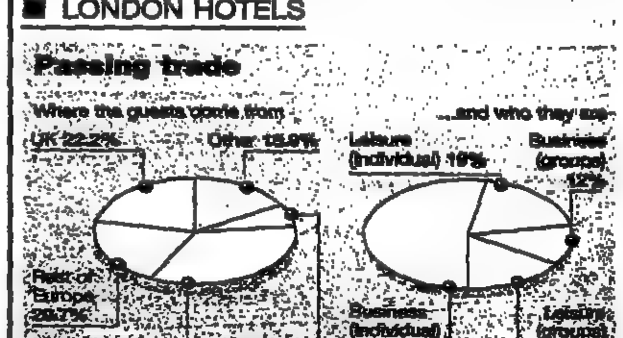
Kellogg is demanding Tesco changes the design of its own-label cornflake packets, alleging that the UK's leading supermarket chain plagiarised the design from Kellogg's well-known packaging.

The conflict is the highest profile image fight between a brand owner and an own-label retailer since Coca-Cola forced J. Sainsbury to change the design of the supermarket chain's own cola cans and bottles two years ago.

If neither side backs down, the conflict will severely test the packaging code of conduct agreed between retailers and manufacturers after the Coca-Cola/Sainsbury fight. The code, administered by the Institute of Grocery Distribution, says signatories must "avoid commercial plagiarism in packaging and trade dress." Both Kellogg and Tesco signed the code and could use the IGD's dispute resolution procedures. Alternatively, Kellogg could take Tesco to court.

Roderick Oram

■ LONDON HOTELS



Business books in for luxury

London's luxury hotels are far more dependent on business travellers than tourists, a recent survey of 20 first-class hotels, has found. The survey of the performance of 5-star hotels, including the Savoy and the London Hilton, was produced by Arthur Andersen, the accountants. It found that business travellers accounted for 65 per cent of room nights sold in the first six months of the year compared with 35 per cent for tourists.

The largest proportion of overseas travellers came from North America, which accounted for 36 per cent of the market. Arthur Andersen said that the London hotels were operating at 73.4 per cent occupancy in the first half of the year compared with 71.3 per cent in the same period last year. The highest occupancy rate was 85 per cent and the highest average room rate was £282 ($439.92), or £331, including VAT.

Scheherazade Daneshkhu

Queen to oppose millionaires in court

By Philip Jeune in Jersey

The multi-millionaire Barclay brothers are to be opposed by the Queen in a Channel Islands court action in which the brothers are seeking to free the tiny island of Brecqhou from its ancient feudal links to nearby Sark.

Sir Graham Dorey, the Bailiff of Guernsey, ruled yesterday that the Crown may become a second defendant in the civil action brought by David and Frederick Barclay against the Seigneur of Sark, Mr Michael Beaumont.

Sir Graham accepted claims by lawyers for the Crown that the Queen has a strong interest in the action and that her rights might be affected if the Barclays win their case.

His ruling was reached after 10 hours of private legal argument. Mr Lloyd Strappine, lawyer for the Barclays, strongly opposed the Crown's application, but it is not yet known if he will appeal against Sir Graham's decision.

The twins, said to be worth £650m ($1.01bn), are particularly concerned about Sark's feudal inheritance laws. Sark law dictates that their Brecqhou estate, which now includes a recently completed £40m castle, be left to the eldest brother's eldest son.

The 61-year-old identical twins have four children between them, including a daughter, and wish their estate to be divided through a family trust.

Their action also seeks the return of feudal dues of £179,000 which they had to pay to Mr Beaumont when they purchased the £2.3m lease on Brecqhou.

The Queen is the feudal overlord of Sark, which has a population of 550, and Mr Beaumont acts as her landlord.

The decision to allow the Crown to become a second defendant was welcomed by 68-year-old Mr Beaumont.

"We can stand up to the Barclays' claims," he said. He is sad, though, that the action probably means he will not get to know the Barclays closely. "We could have been good neighbours," he said.

Mr Beaumont said he was not impressed by recent comments from Lord McAlpine, a close friend of the brothers, that Sark's laws – which also prohibit divorce – are outdated and that the Barclays might pursue the matter as far as the European courts if they fail to get satisfaction in Guernsey.

"Frankly, his remarks were nonsense," said Mr Beaumont.

CONTRACTS & TENDERS

GOVERNO DA BAHIA

NOTICE OF BID - DCL

Companhia de Eletricidade do Estado da Bahia - COELBA, will make the following bid: INTERNATIONAL BID 001/COELBA/96. OBJECT: POWER TRANSFORMER. RECEIPT OF PROPOSALS: BY 9:00 A.M. SEPTEMBER 18, 1996. COST OF PRINTED BID CONDITIONS: R$ 20,00 (TWENTY REALS). LOCATION FOR PURCHASE OF BID CONDITIONS AND RECEIPT AND READING OF PROPOSALS: Av. Edgard Santos, Coelba Building, 300, Block 1, Street level, Salvador, Bahia, Brazil. BIDS AND CONTRACTS DEPARTMENT - "DCL".

COELBA

SECRETARIA DE ENERGIA, TRANSPORTES E COMUNICAÇÕES

LEGAL NOTICE

SERVICE HOME SERVICES LIMITED
(In Compulsory Liquidation)
FINAL NOTICE

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company, which is in Compulsory Liquidation, are required, on or before 30th August 1996 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned J.A. Talbot of Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD, Liquidator of the said Company, and if so required by notice in writing from the Liquidator, are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

J. A. Talbot
Liquidator

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.08.96: Pool purchase price £/MWh	Final Prices for Trading on 15.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.02	16.31	17.47
0100	9.03	16.12	17.28
0130	9.03	11.50	12.68
0200	9.03	11.50	12.68
0230	9.03	11.50	12.68
0300	9.03	11.50	12.68
0330	9.03	11.50	12.68
0400	9.02	11.50	12.68
0430	9.02	11.50	12.68
0500	9.02	11.50	12.68
0530	9.02	9.00	9.00
0600	9.02	15.58	16.75
0630	9.02	15.58	16.73
0700	9.03	16.23	17.40
0730	13.09	16.54	17.73
0800	16.82	18.09	19.58
0830	19.49	19.81	21.91
0900	22.67	26.49	29.39
0930	26.44	30.69	34.48
1000	28.78	50.36	54.65
1030	30.30	49.45	54.14
1100	32.16	42.44	47.82
1130	34.70	53.44	58.90
1200	35.91	54.72	60.40
1230	39.82	52.67	57.82
1300	30.10	48.47	52.78
1330	24.45	29.21	32.57
1400	38.00	24.88	27.86
1430	37.35	23.60	26.13
1500	26.78	23.13	25.56
1530	21.22	23.79	26.40
1600	21.28	26.12	28.22
1630	37.34	28.97	32.82
1700	22.54	40.73	44.89
1730	21.01	37.72	40.97
1800	18.85	28.22	31.51
1830	16.68	18.73	20.19
1900	16.31	17.17	18.37
1930	16.00	17.08	18.26
2000	13.21	17.06	18.22
2030	13.22	16.85	18.12
2100	27.28	9.08	9.08
2130	28.37	28.81	30.87
2200	28.38	29.61	30.98
2230	28.28	38.42	38.53
2300	19.20	38.42	38.59
2330	13.20	22.94	24.10
2400	12.98	22.94	24.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.00/MWh becomes 1.000p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed [illegible]

Small abattoirs challenge BSE slaughter payment

By Deborah Hargreaves in London

Independent abattoirs have challenged the cost of killing cattle under the government's BSE slaughter scheme, saying they could do the job much more cheaply.

The challenge came as the industry was due to begin talks over cutting the £87.50 per cow paid to slaughter plants, but yesterday's talks were postponed.

A number of smaller slaughter houses accuse the government of "carving up" the cull scheme between the larger, more powerful plants. "It's highway robbery," said Mr Sammy Morphet, who has formed a group of 70 abattoirs that feel they have been unjustly treated by the Ministry of Agriculture.

Members of Mr Morphet's group believe they could kill the cattle for £30 to £35 per head. They point out that in addition abattoirs can keep the profit on selling the animal's hide which is around £30.

Mr Morphet said payment from the scheme would mean an additional £75m in profit per year for the 43 abattoirs involved.

Mr Roger Freeman, the minister responsible for co-ordinating the government's response to BSE, said that "a slightly more sophisticated system of payment is required related to the cost of the operation".

He said the backlog of animals still to be killed was around 150,000 which should be cleared by the end of October. However, this is a lot lower than calculations from abattoirs and the National Farmers' Union which says there could be as many as 450,000 animals still to slaughter which could take until early next year.

Sciences suffer as A-level candidates appear to switch to less rigorous subjects

Exam success prompts row on standards

By John Authers in London

A sharp increase in the pass rate in A-level examinations taken by school pupils early in the summer was announced yesterday and led to renewed claims that standards had been diluted.

A-levels are taken by pupils aged 17 and above and the results are the main determinants of students' chances of obtaining a university place.

The total pass rate for A-levels taken by school pupils in June increased by 1.8 percentage points, from 84 to 85.8 per cent. Five years ago, the pass rate was 75.9 per cent. More candidates also managed a grade A, up from 15.6 to 16 per cent. Entries for science subjects fell, while less traditional subjects such as film studies and psychology saw a sharp increase in students.

The proportion of 18-year-olds attempting the exams fell. The total entry increased by 1.2 per cent, while the total age group grew by almost 3 per cent.

There was a mixed reaction from employers. Mr Roger Young, director-general of the Institute of Management, said: "Managers are asking just how real is our gold standard? Setting a UK record is one thing, but our young people are now competing in a race against a world class field."

The Confederation of British Industry was more positive, greeting the results as evidence that "the reforms of recent years, such as the introduction of the national curriculum, are paying off".

This year's figures show an encouraging jump in the numbers attempting mathematics, up 3.4 per cent to 67,442, but science subjects suffered further falls – physics down 5.7 per cent, chemistry down 4.3 per cent.

Instead, candidates seemed to switch to newer subjects which were perceived as more interesting and less rigorous. Applications for media, film and television studies rose by 25.9 per cent, while entries for general studies, which many universities do not accept as an A-level, rose by 10.4 per cent.

The numbers attempting economics also fell 7.6 per cent, with candidates appearing to have switched to the more modern business studies course which was up 8.4 per cent.

Modular courses, in which exams are taken throughout the sixth form, with the final exams accounting for only 30 per cent of the total mark, came in for heavy criticism. They accounted for more than half of entries in mathematics, chemistry and biology, but Sir Rhodes Boyson, a former Conservative education minister, said they were "not worth the paper they're written on".

Today's figures show that modular exams are indeed statistically easier to pass – in physics 89.3 per cent of modular candidates passed, compared with 82.3 per cent of candidates for traditional courses, while in mathematics the figures were 90.2 per cent compared with 83.4 per cent.

Lord Henley, the education minister, said the government would guarantee standards by introducing a code of conduct for exam boards, and limiting the number of times modular candidates could re-sit exams.

Editorial comment, Page 9

Cinema/Nigel Andrews

Jailhouse blues

The man in one film is chasing the ex-jailbird who once killed his child. The woman in another is on Death Row awaiting clemency for a brutal murder. The man runs around town battling implausible story set-ups and psychobabble dialogue. The woman sits in her cell, bruised and brooding, and wondering why Susan Hayward got all the best lines in that small but cultist genre devoted to female capital punishment.

The Crossing Guard, starring Jack Nicholson, and *Last Dance*, starring Sharon Stone, are both what Hollywood likes to call "strong situation" films. One imagines the moguls purring in response to each story pitch. "Great! Why not get Jack together again with Anjelica (Huston), to fight and cry and bust up the furniture as the couple who lose their daughter to a drunk driver but can't agree about taking vengeance on her killer. I see Oscars!" And: "Why not put the Stone broad in as the woman who killed 'cos she was corrupted by drugs and another guy, and who now wants to live with help from a young clemency lawyer. Sharon's just shown in *Casino* that she can act for crissake! I see Oscars."

I see emptying movie theatres. Glooming away on themes of death, justice and retribution, these two movies try to put depth and humanity back into a summer that sorely needs both commodities. But Nicholson in *The Crossing Guard* and Stone in *Last Dance* show that it is not enough to be a strong actor in a strong plot situation. You need a strong, or at least serviceable, script. This means line-by-line, motive-by-motive believability. These two films disguise dramatic short cuts with florid gesturings and frail motivation with airily portentous dialogue.

The Crossing Guard begins promisingly. Writer-director Sean Penn, whose film-making debut *The Indian Runner* had a broody magnetism, gives us a hero whose life has been a waiting bomb since his child's death and who finds that circumstance has now lit the fuse. The killer is out of jail. Estranged wife Anjelica Huston's attempts to placate Nicholson only fire him up further. And before you can say "cat in the adage" he has told I-dare-not to stop waiting on I-would by tracking Morse to the young man's trailer. At midnight. With a gun.

Here the whole thing starts to go cuckoo. It is hard to believe that even a criminal as hippyishly pacific as the reformed Morse would say to his avenger, "Could you maybe take a couple of days and maybe think about not taking my life?" Or that Nicholson in return would promptly and thoughtfully offer three days, like an encyclopaedia salesman promising to return when the husband is in.

THE CROSSING GUARD
Sean Penn

LAST DANCE
Bruce Beresford

THE SILENCE OF THE HAMS
Ezio Greggio

THE SECRET AGENT CLUB
John Murlowski

HUNGER ARTIST
Bernard Rudden

THE NICK OF TIME
John Badham

Thereupon the film sets off on its second phase, in which a wispy subplot about the ex-con's burgeoning love life is cross-cut with Jack gnawing his nails, polishing his weapons and managing his not very convincing jewellery shop.

Concerning the final act we will merely issue a vague but earnest customer warning: Do not go gently into a film that compels you to watch an ageing superstar running around town like a marathon runner with a pillow down his front, and that is then capped with a final sunset scene ickily scored for reconciliation, messages and jazz music.

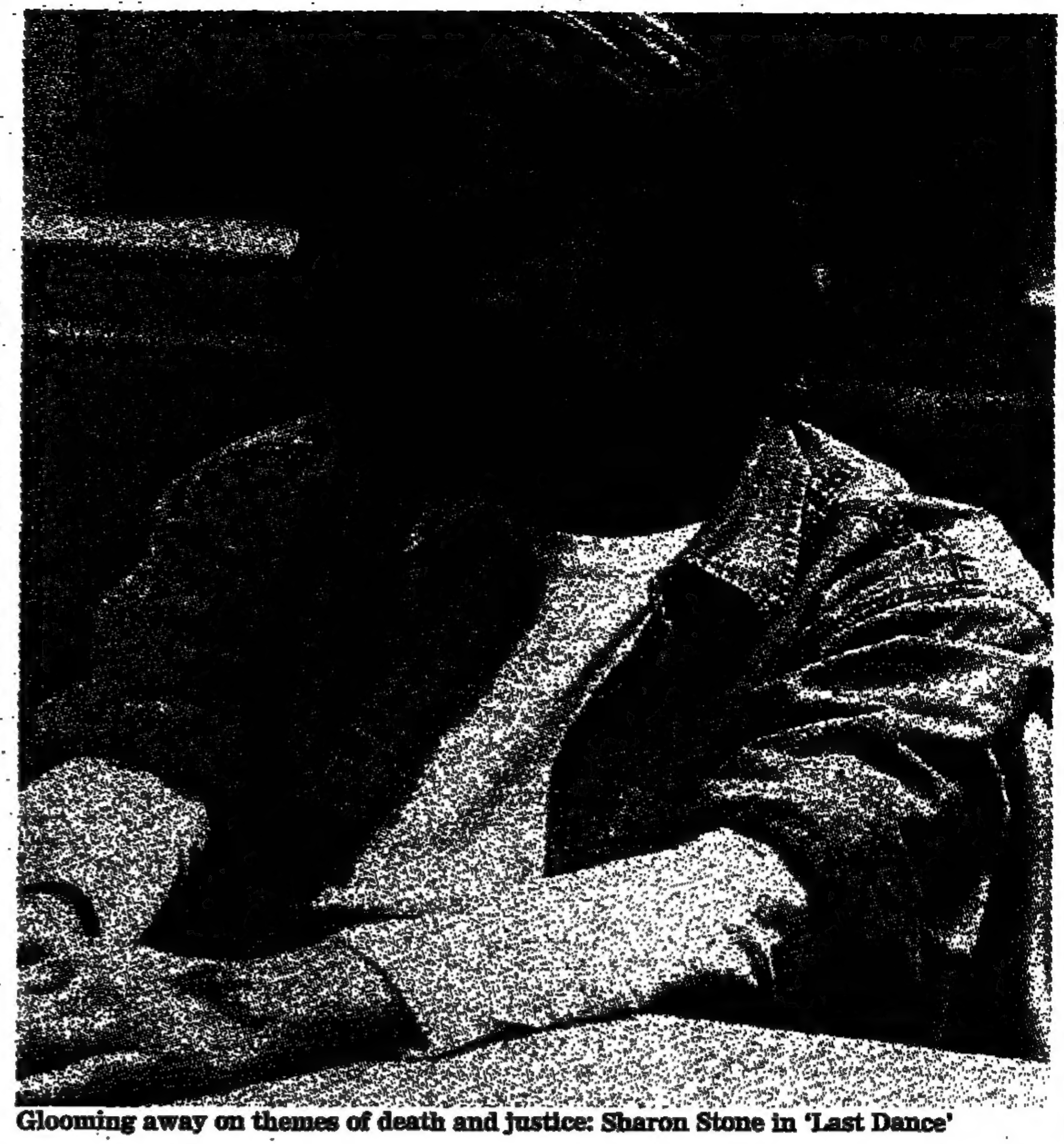
Last Dance is *Dead Man Walking* in all but gender. Sharon Stone ends up in the lethal injection chamber, just like Mr Penn in his last onscreen endeavour, with arms akimbo like a Christ figure. Her one-person support group – clemency lawyer Rob Morrow substituting for nun Susan Sarandon – gazes through the viewing glass with swimmy-eyed earnestness.

Unlike the earlier film, though, we never believe a moment. After her much-flashbacked experience of stabbing a girl to death with broken glass 12 years before, Stone's heroine now sits in hokey, her once black hair turned auburn with suffering. Appeals for mercy have fallen on the deaf ears of the state governor and her self-improving correspondence course in drawing has failed to turn her into Andrew Wyeth. Now she scorns the young lawyer who thinks he can win a last-minute reprieve.

Director Bruce Beresford, whose career has been sky-diving since *Driving Miss Daisy*, plunges towards earth as the film's dramatic parachute stubbornly refuses to open. The worst moment is the postlude in which our newly contemplative young hero visits India (where else?) in a scene awash with sanctimony and the sound of celestial doo-woppers. The best moment – though possibly not by intention – is supplied earlier by a rival mercy-seeker: a black murderer and published memoirist who says loudly and indignantly to Morrow, "How they gonna kill a man who's been on the New York Times best seller list?" Even on Death Row there are some priorities.

★

We go to prison again in *The Silence Of The Hams*, whose parodic target you hardly require me to decode. Actually it spends only a few minutes on the comic possibilities of Dom DeLuise as Hannibal Lecter (almost none), before diverting into a spoof on *Psycho*. This is not funny either, but then what can a film-maker do? The sets are built and the actors have learned their lines, and they include Shelley Winters, Billy Zane, Martin Balsam (as Martin Balsam, lampooning his famous backward stair-fall) and someone called Ezio Greggio who also wrote and directed. The only funny jokes are the first two, which set the press show on a premature roar prior to a long, deadly quietude.



Glooming away on themes of death and justice: Sharon Stone in 'Last Dance'

The silence of the hacks continued with the children's comedy *The Secret Agent Club*. Hulk Hogan, an ex-wrestler unencumbered by acting ability, plays the kidnapped government spy whose son and son's playmates, with "weapons" raided from a toyshop, rescue him from international villainess Lesley-Anne Down (doing a bad impersonation of Joan Collins). Director John Murlowski, despairing of any more creative option, points the camera at anything that moves.

If he had adopted the same principle in *Hunger Artist* he would have had nowhere to point the camera at all. Inertia reaches an apogee in this film from the British Film Institute production board. Even by their standards of audience mortification, this tale of an obscure young martyr dragged from one symbolic station of modern life to another while a woman's commentary drizzles on the soundtrack, deserves some sort of Oscar for best inanimation feature.

Is there no moment of élan this week? Only the sight of Johnny Depp falling from a high place in *Nick Of Time* – though he survives – while Christopher Walken snarls away at ground level as the man trying to egg him on to murder governor of California Marsha Mason in a shopping mall. Brought to you by the BFI in its other guise, as a snapper-up of unreleased Hollywood trifles, John Badham's thriller passes a more painless 80 minutes than anything else in this problem week.

Musical

Swinging sixties sanitised

Elvis Presley, Roy Orbison, Patsy Cline, Buddy Holly – is there no escape from the cod musical, purporting to tell the life of rock legends through their music. Sadly, I fear not. The formula is too cheap, the public response too credulous, for producers, especially the amiable Bill Kenwright, to resist.

Now Gerry Marsden, as in Gerry and the Pacemakers, gets the treatment – two hours of early rock and roll hung about with some banal moralising. *Ferry Cross the Mersey* does add one unique twist to the genre. Unlike the precursors Marsden is still alive and active, in fact larger than life since he bears an uncanny resemblance to Eddie Large. This enables him to wander through his story, guitar at the ready, giving advice to *his younger self*, cheekily portrayed by Carl Kirschner.

If you are of an age it is hard not to get some mild diversion from hearing, and singing along with, the cheerfully optimistic hits of the early *1960s*. Some, like "Please, please, me" now sound banal; others, like "Sorrow", offer forgotten pleasure. But apart from the music, production values are nil.

The problem is that Gerry and the Pacemakers were always in the shadow of the Beatles. They went to Hamburg, like the Beatles; were managed by Brian Epstein, like the Beatles. Not one fresh or intriguing fact comes out of this anaemic review of the Marsden story. It ends in 1963, the year the group had three successive number ones. What happens to a fading rock star might have some interest, but it was not to be.

The main criticism is the sanitised version of the era. Epstein's homosexuality dare not speak its name. The impression is that Marsden was a virgin when he finally married his childhood sweetheart, forsaking the fleshpots of London and such heady diversions as a film premiere with Princess Margaret, to rush back to Liverpool with the ring from Garrards. The only barbs are reserved for poor Cilla Black. For the rest Marsden assures us that everyone was great and that life has been a dream.

Gerry and the Pacemakers still tour, age having made their name all too relevant. As the *Friday Night is Music Night* audience passes on, so the middle-aged and idle will relive their youth with this kind of entertainment. The possibilities are endless. The Beverley Sisters were gamely clapping along in the audience. No doubt Bill Kenwright is booking them into a theatre near you.

Antony Thorncroft

At the Lyric Theatre, W1.

Mad methods of communication

In the beginning was the Word and at the beginning of the day is the Reduced Shakespeare Company's 11.30am show, *The Bible: The Complete Word of God (Abridged)*, (Assembly Rooms until August 31.

The show follows the same strategy as their Shakespeare and History-of-America enterprises – three manic Americans compress the subject matter into 90 minutes – but this particular outing feels less certain than hitherto, as if the scope of their source material and its status has hobbled them somewhat.

In Edinburgh, though, virtually everyone has a message to convey or is playing with methods of communication. Cork-born bitch-queen *Graham Norton*, in his strongest and most confident show since his 1992 debut (Assembly Rooms until August 31), discusses topics from Ricki Lake's trashy TV talk show before rounding the evening off with a live-on-stage telephone call in response to a sex ad in the back of *QX* magazine.

Meanwhile, *David Strassman* is communicating without his lips (Beck's Famous Spiegeltent until August 31). Strassman builds from conventional ventriloquistic foundations – his dummies have names like Chuck Wood and Teddy Bear – but in the course of an hour both style and content slowly mutate: Chuck turns out to be a sharp-witted, foul-mouthed yob and by the time Strassman brings out three animatronic triceratopes which he conducts through a rendition of *Bohemian Rhapsody*, we definitely aren't in Kansas any more.

The central family in David Greig's play *The Architect* (Traverse Theatre until August 31) spends the first act resolutely failing to communicate. Greig is a skilful writer and is given a sensitive production by Philip Howard, but his thesis – that modern families, like modern buildings, are not always the "machines for living" which they should be – is over-stressed.

Whilst Leo Black can think only of his work, his wife grows ever more neurotic about pollutants, his son cannot come to terms with his own sexuality nor his daughter, seemingly, with any mode of social existence. By the time the Blacks begin to grope towards an emotional *lingua franca*, the audience may be experiencing its own difficulties in engaging with the characters.

A trivial failure to communicate generates Ben Moor's gloriously bizarre solo comic narrative *Twelve* (The Pleasance until August 31). Moor's lanky, gangling frame is combined with an intellect that square-dances through everyday occurrances, spewing forth images which range from a marauding army of six-inch-high clones of the Pope to the ideal sweetmeat, "a Swiss Army roll, with five smaller useful cakes coming out at the side". Moor is the most determinedly surrealistic of the current crop of young comics.

The League of Gentlemen (The Pleasance until August 31) is an altogether darker prospect; as in the film of Terry Gilliam, the laughs are inserted largely to offer momentary respite from squirms of discomfiture. After a deliberately gentle start – a sketch about football supporters watching *Hamlet* – the trio's material grows ever-more disturbing. The sketches are written and performed with a granite assurance and promise to jolt the complacency out of the most jaded comedy-goer.

Ian Shuttleworth

Beware Dutchmen bearing programme notes. Dance must speak for itself. Nederlands Dans Theater's Festival season which opened on Tuesday at the Playhouse has programme notes hanging from every step. Each work – two by Jiri Kylian, the troupe's artistic director; one by Paul Lightfoot, a member of the company – was extensively signposted.

Kylian's *Bella figura* "addresses the ambiguity of aesthetics, performance and dreams" and "is like trying to perform a balancing act on the string of your own umbilical cord." Lightfoot's ghastly *Start to Finish* "creates a world of fragile human beings who appear not to have total control over their emotions or over the situations that lead to these emotions". (The piece is *The Rite of Spring* done by dimwits.) Kylian's *Symphony of Psalms* is hung about with comments about "negative reality", "individual loves and desires, all so humanly vulnerable and transient", but what we see is an aerobics class in a carpet shop.

It is prefatory gabble of this kind which, for me, so identifies the shortcomings of the NDT manner and repertory. Dance is far less important than messages, which are then imposed upon scores with the musical sensitivity of a busker. *Bella figura* uses baroque music, the choreography kicking and writhing its way over a grab-bag of scores, most offensively so in its cavalier attitudes to Pergolesi's Stabat Mater. A topless Japanese girl, flaming braziers, an elfin burst of lesbianism, other men and women topless but beautifully clothed below in voluminous, poppy-red skirts – which make a happy change from the usual NDT garb of dreary underwear – all feature. The piece is declared to be about "saving face". It looks at times like a skating party for neurotics and I thought it a pretentious bore.

Lightfoot's *Start to Finish*, made this year, is merely tiresome, with its four drummers, its male dancer yapping in tongues, and its rich yield of gloomy trudging. There is nudity at the end, and daintily non-committal it is, too: the cast take off their glum outfits and, backs to us, trail off into the set. Splendid for haunch-fetishists; hell for the rest of us.

Kylian's 1978 version of Stravinsky's *Symphony of Psalms* has long been a key work in his brand of NDT aesthetic. It consists of anxious rushing by the men, pious poses, intense feeling expressed through unstretched feet and swirling female bodies, and a disinclination to consider what the music is doing. The dance feeds off the score in cannibalistic fashion: Stravinsky's profound piety, his subtle changes of manner, serve merely as a track down which the dance slides. The dancers work with missionary zeal and huge energy. It is all very depressing indeed.

Clement Crisp

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Beurs van Berlage – tentoonstellingen Tel: 31-20-530 4141
● Pablo Picasso, Lust for Life. Tekeningen, grafiek en keramiek na 1945: exhibition of drawings, lithos, engravings and ceramics created by Picasso after 1945. The display includes 60 vases and plates, and 200 drawings and graphic works; to Sep 1

BERLIN

EXHIBITION
Das Bauhaus-Archiv, Museum für Gestaltung Tel: 49-30-25400278
● Laszlo Moholy-Nagy zum 100. Geburtstag: retrospective exhibition devoted to the work of the Hungarian sculptor, painter, designer and photographer Laszlo Moholy-Nagy (1895-1946); to Dec

BONN

EXHIBITION
Kunstmuseum Bonn Tel: 49-228-776121
● Willem de Kooning: Das Spätwerk – Die achtziger Jahre: exhibition focusing on the work created by the Abstract Expressionist painter Willem de Kooning in the 1980s; to Aug 18

COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Mitsuko Uchida: the pianist performs works by Schubert and Berg; 7.30pm; Aug 16

DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● Locus: *Sculpture from the IMMA Collection*: exhibition of sculptures from the museum's collection, with environment as the theme. All of the works refer not just to the immediate gallery space but also to more general urban, rural and cultural environments. *Artists represented* include Michael Landy, Edward Allington, Juan Munoz, Richard Long and Chung Eun Mo; to Sep 15

EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Velázquez in Seville: this exhibition features early works made by Velázquez in his *native* town Seville, before he moved to *Madrid* in 1623. *The display*, comprising 50 works including portraits, prints, drawings and sculpture, is centered on the National Gallery of Scotland's own Velázquez, "An Old Woman Cooking Eggs". Selected works by the artist's contemporaries *help to set the historical and* artistic context for Velázquez's early paintings; to Oct 20

LONDON

CONCERT
Royal Albert Hall Tel: *44-171-5898212*
● Leonore: by Beethoven. Semi-staged performance conducted by John Eliot Gardiner and performed by the Monteverdi Choir and the Orchestre Revolutionnaire et Romantique. Soloists include Charlotte Margiono, Kim Begley, Matthew Best and Franz Hawlata. Part of the BBC Henry Wood Promenade Concerts (Proms); 7pm; Aug 16
St Martin-in-the-Fields Church Tel: 44-171-9300089
● Brandenburg Concertos by Candlelight: the London Concert Sinfonia with conductor John Landor perform works by J.S. Bach, Pachelbel and Vivaldi; 7.30pm; Aug 17

EXHIBITION
National Gallery Tel: 44-171-7472885
● Degas as a Collector: this exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delacroix and Manet; to Aug 26

THEATRE
The Pit Tel: 44-171-6388891
● The Painter of Dishonour: by Calderón, in a new version by Boswell and Johnston. Directed by Laurence Boswell and performed by the Royal Shakespeare Company; 7.15pm; *Aug 19, 20 (also 2pm)*

LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● *Arthur, King of Britain*: exhibition of manuscripts, rare books and illustrative material tracing the development of the Arthurian legend as conceived and passed down from the Middle Ages to the 20th century. On display are a mid-15th-century manuscript of the "Brute Chronicle" and early printed books such as Caxton's 1480 "Chronicle of England", a 1557 printing of Sir Thomas Mallory's "The Story of the Most Noble and Worthy Kyng Arthur", and Edmund Spenser's "The Fairie Queene" (1590); to Sep 15

LUCERNE

CONCERT
Kunsthaus Luzern Tel: 41-41-2103562
● Gustav Mahler Jugendorchester: with conductor Claudio Abbado and pianist Hélène Grimaud perform works by Beethoven and Mahler. Part of the Internationale Musikfestwochen Luzern; 7.30pm; Aug 17

NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Ancient Art from the Shumei *Family Collection: a selection of* works from the Shumei Collection. The exhibition features many Asian and ancient near eastern works of art and also includes Egyptian, Islamic and Roman objects; to Sep 1

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Gaetano Pesce: a retrospective exhibition devoted to this artist, featuring furniture, objects and architectual projects; to Oct 7
Musée d'Orsay Tel: 33-1 40 49 48 14
● Photographies de paysages: exhibition featuring 40 19th century landscape photographs. The display includes works by *Louis Robert, Victor Regnault*, Charles Nègre, Eugène Cuvelier, Karl August Bergner, George Henry Seeley and others; to Sep 15

SALZBURG

CONCERT
Grosses Festspielhaus Tel: 43-662-80450
● Wiener Philharmoniker: with conductor Lorin Maazel and violinist Frank Peter Zimmermann perform Beethoven's Violin *Concerto in D and Ravel's* Daphnis et Chloë. Part of the Salzburger Festspiele; 8.30pm; Aug 18, 19 (8pm)

STOCKHOLM

EXHIBITION
Moderna Museet – Museum of Modern Art Tel: 46-8-6664250
● Hiroshi Sugimoto, photographs: a small retrospective exhibition, including approximately 50 works from the Seascapes, Nightscapes, Drive In Theatres, Theatre Interiors, Wax *Cabinets and Dioramas; to Sep* 22

WASHINGTON

EXHIBITION
National Portrait Gallery Tel: 1-202-357-1915
● *1846: Portrait of the Nation*: in celebration of the 150th anniversary of the founding of the Smithsonian Institution, this exhibition describes the political, cultural and social character of America in 1846 by focusing on the leading figures of the time. *John Quincy Adams, author and* protester Henry David Thoreau, reformer Dorothea Dix, Cherokee chief John Ross, Mormon leader Brigham Young and others are depicted through paintings, sculpture, prints, silhouettes and daguerreotypes; to Aug 18

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan

Bank argues with itself

Apparent discrepancies between a weak labour market and inflation warnings from other data have stimulated a search for new rules

The Bank of England Inflation Report is too much discussed in terms of its headline inflation projections and the clues it may give to forthcoming confrontations with Kenneth Clarke, the chancellor. It is mainly worthwhile for its economic analysis.

We already knew before the August report that the Bank was more worried than the chancellor about the risks of inflation exceeding the official target two years from now. But much more interesting is the Bank's labour market analysis, which seems at first sight to point the other way to the rest of the Inflation Report. For the contention of the labour market chapter is that, despite the large fall in claimant unemployment, the labour market has not tightened very much since the 1992 recession.

The important conclusion is a structural one. On the surface there has been a big improvement in labour market responsiveness. In the recovery of the 1990s claimant unemployment has been falling, while in the corresponding period of the 1980s recovery, it was still rising. But the difference is more than accounted for by the rise in "inactivity" – people of working age, who were neither recorded as working nor as claiming unemployment benefit (a phenomenon discussed in my Economic Viewpoint of July 4).

The total of unemployed plus "inactive" is sometimes known as the "non-employed". The number of non-employed of working age reached a peak in 1994 and has fallen only very slightly since. The stagnation in the demand for labour is confirmed by estimates of total hours worked, which after rising in the early export-led stages of the present recovery have hardly changed since the spring of 1995.

These findings fit in well with the moderate response of both nominal and real earnings to economic recovery. They might indeed suggest that there is plenty of room for a faster rate of output growth before inflation is triggered off. This is especially so if, as the Bank seems to believe, the labour market reforms of the Thatcher period now enable the economy to be run at a higher level of activity.

The Bank's labour market analysis can just about be reconciled with its inflation warnings by saying that the latter are based on forward-looking indicators, while the labour market analysis refers to the recent past. The one available forward-looking labour market indicator, the ratio of vacancies to unemployment, has indeed risen sharply.

Domestic demand is already growing strongly, even though activity is held back by abnormally low stock building and the stagnation of export demand from Europe. These bearish factors, together with the low cost of materials in the pipeline, should keep inflation on a falling path well into 1997. But the Bank fears that inflation could turn up again after the election, due by the spring.

Consumption is likely to be stimulated by a faster rise in real disposable income, higher personal wealth and windfall gains from sources such as building society payouts. Broad money is rising at the top end of the government's monitoring range and narrow money is well above official range. The fiscal deficit is 2 percentage points higher as a proportion of gross domestic product than forecast 21 months ago. Five-year and 10-year inflation expectations derived from the gilt-edged markets are 4¾ per cent to 5 per cent.

But having said all this, both the financial markets and the economic forecasts are capable of being wrong; and one should not dismiss too casually the bulk of the evidence of the labour markets. The Bank itself is sufficiently sensitive to the risks to have examined in its bulletin some recent suggestions for automatic feedback rules which would make policy less dependent on official discretion.

One of these suggestions is the Taylor rule. This makes interest rate policy depend on an estimate of the equilibrium real rate of interest adjusted for actual inflation, the difference between that and the official target, and the capacity gap.

The economic relationships are plausible. But as an operating rule it seems to me fundamentally flawed because it involves guesses about highly controversial and unobservable magnitudes, all piled on top of each other. If we knew them it would be much easier to forecast inflation directly and without throwing away other information. It is difficult to believe that Alan Greenspan's Fed uses the Taylor rule as its main guide to policy – although no doubt its staff calculates what it might prescribe.

The other rule studied by the Bank is known as the McCallum rule. It requires policy to be adjusted according to whether the growth of nominal GDP exceeds or falls short of some target rate. The rule's attraction is that it will inhibit an inflationary takeoff and a cumulative recession. It does not claim to provide a constant year-to-year inflation rate.

A weakness of the McCallum rule is that the policy instrument, in terms of which it is expressed, is narrow money or M0 – ie cash plus bankers' monetary deposits at the Bank of England. The equation embodying the rule allows for very gradual changes in the velocity of the monetary base. But it still depends on a reasonable stability in the ratio of that base to nominal GDP. It is a hazardous instrument to rely on in a country like the UK where there are no compulsory reserve ratios and in which the monetary base is a tiny fraction of broad money.

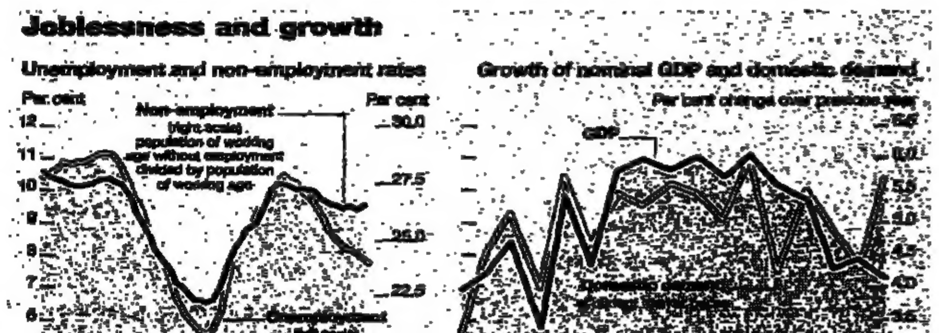
The McCallum rule could, however, easily be expressed in terms of nominal interest rates or any other desired policy instrument. There is a more fundamental difficulty. The object is to influence the total of cash spending in the economy in so far as it is under the influence of policymakers. Nominal GDP is the best known measure of such cash expenditure and I have used it as a deliberate over-simplification because at least a few participants in the policy debate have heard of it.

But, whatever the case in the US, it will not really do in the more open medium-sized European economies. Here the best measure of nominal demand is what the statisticians call "domestic demand". This excludes the export sector and is therefore more under the influence of policymakers.

The second chart, reproduced from the Inflation Report, shows the difference in a very practical way. Nominal GDP has been growing at about 4 per cent a year, below the Bank's illustrative target of 5 per cent. But nominal domestic demand has been growing at 5½ per cent a year and is probably accelerating. This is the basis for saying that current policy is more likely to be too relaxed than to be too tight. In old-fashioned language: the government cannot control export demand, but should at least see that there is room for it in the economy when it arrives. This means keeping an eye on domestic demand.

As a more general conclusion, it is not desirable to force central bankers to become robots following automatic rules. But it is equally undesirable to leave them unfettered discretion. The need is for guidelines related to available information which will point the direction in which policy should go. A heavily modified version of the McCallum rule would give a better steer than the inflation projections two years ahead by which the Bank claims to be guided.

Joblessness and growth



Source: Bank of England Inflation Report

BOOK REVIEW · Deborah Hargreaves

ESCAPE TO THE FUTURES: By Leo Melamed with Bob Tamarkin. John Wiley & Sons, 463pp. £17.95

Founding father with messianic zeal

Everyone has a favourite anecdote about Leo Melamed and it always involves a tale of a lunch, interview or seminar spent with him dodging between a computer screen and a telephone to check on his futures trading position.

He says himself that he "never let anything stand in the way of trading the markets". Once he called at 5am from a hospital bed before having tests on his gall bladder – and he refused to have the tests until trading stopped eight-and-a-half hours later.

Melamed is the quintessential trader, everyone's idea of a futures dealer: a loud, brash, opinionated risk-taker. But as the driving force behind the Chicago Mercantile Exchange for 25 years, he is also the founding father of financial futures, a development which has changed the face of international finance.

He is not modest about his achievements: "I used to joke that I had to come on the floor every day to show the crowd that the legend really existed," he says. And he talks with messianic zeal about his "mission".

His autobiography is a history of Chicago's financial futures trading: from the early 1970s when the Bretton Woods agreement was still in force and individuals were not even allowed to trade in currencies, to the 1987 stock market crash which saw grown men crying in the gents' toilet at the Merc.

But just as fascinating is the account of the Melamdovich family's flight from war-torn Europe. As Jews in Poland in 1939, his family had to be constantly on the move to outwit the authorities. The eight-year-old Leibl – later Americanised to Leo – fled from Poland to Lithuania, across Siberia to Vladivostok, on to Japan and finally to the US.

It was a haphazard, frenetic struggle for visas and tickets that meant the difference between life and death to Jewish families in 1940. But to the young Melamed, it was an adventure during which he learnt four new languages in two years.

His painful attempts to become accepted in the US, his adopted land, as a shorter-than-average Jewish boy who spoke Yiddish and could not play baseball are echoed later in the book by his struggle to gain credibility and ultimately respectability for financial futures.

Business Week hailed the nascent currency futures market opened in 1972 as "strictly for crapshooters", and the image has persisted in the minds of some bankers and regulators.

He was an outsider pressing an upstart new product – currency futures – on to the blue-blood establishment world of US banking. It was no surprise to him when one of the early supporters of his new market presented him with a 1,300ft computer printout showing how the cumulative risk produced by currency futures would one day bring down western civilisation. There are many who still share that opinion.

That apocalyptic view seemed almost vindicated in 1987 when the Merc's stock index futures became the scapegoat for the October 19 stock market crash. Melamed describes the witch hunt in his usual style: "I could feel the earth beneath the Merc's building shudder as enemy forces gathered to invade. We were about to enter the battle of our lives."

But Melamed's habit of courting influence in Washington for many years paid off. He managed to fend off overly restrictive legislation on the futures market. And he headed off criticism of Chicago in the 1989 FBI "sting" on the markets even though at the time he was receiving many anonymous letters accusing him of wrongdoing.

Melamed fell into futures by accident, as a law student in Chicago, when he answered an ad for what he thought was a law firm – Merrill, Lynch, Pierce, Fenner & Bean – requiring a "runner". He found himself at the Merc – a place he had never heard of and which he describes as "Alice through the Looking Glass into a world of not just one Mad Hatter, but hundreds".

After 15 months at the Merc, where he graduated to a phone clerk, he started trading on his own account. He soon ran up a loss, but never looked back. Melamed rapidly became an important figure in exchange politics, taking the Merc from a third-rate marketplace trading eggs and onions – which he jokes could be manipulated by a couple of housewives getting together – to the forefront of financial futures trading.

Melamed retired from the Merc in 1991, but he continues to be a tireless supporter of futures trading.

His book is an intriguing insight into one of the world's last bastions of open outcry trading and will be read eagerly by insiders.

But Bob Tamarkin, a well-known Chicago journalist, who co-wrote it, has not been tough enough with Melamed's hyperbole. The book would have been better for being half the size. Its 463 pages are stuffed with the names of traders, regulators and lawmakers, limiting its appeal to the lay reader and making it easy to lose track. At one point Melamed seems to compare the creation of futures to the invention of fire; futures may be important, but not *that* important.

Escape to the Futures is available from FT Bookshop. Ring FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

The Landmark London

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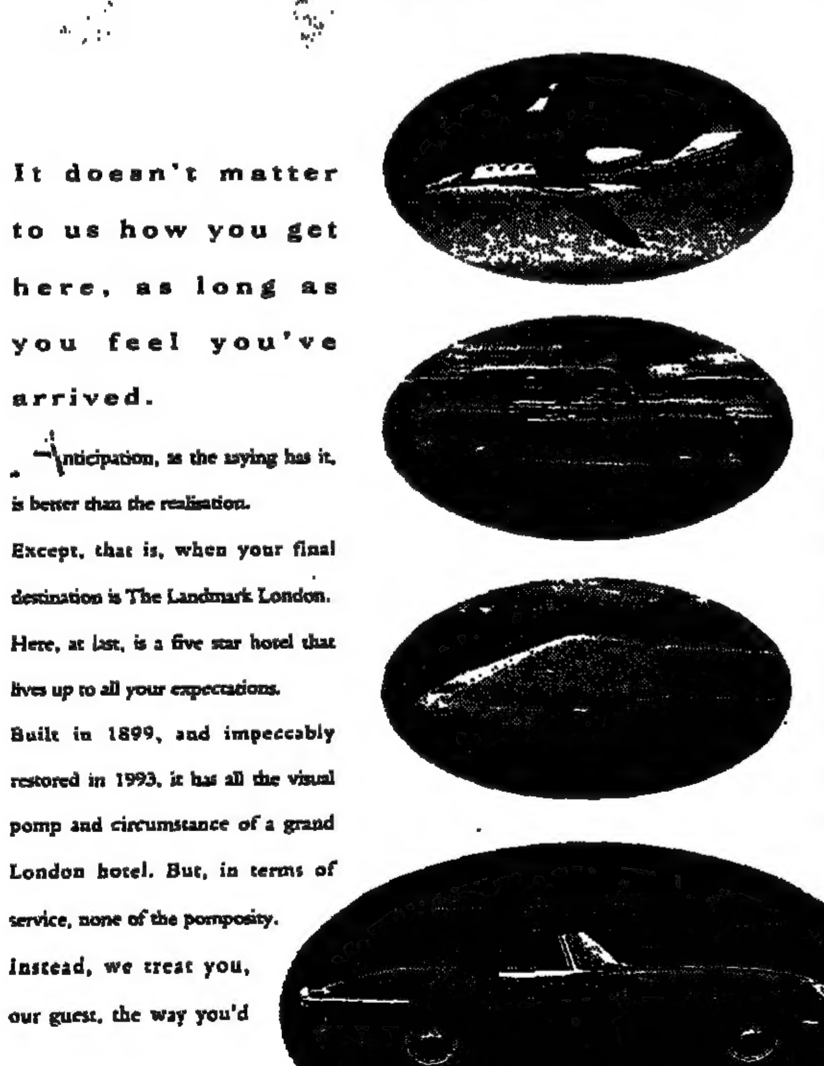

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Software exists to keep children away from adult Internet sites

From Mr Mike Parr.

Sir, It appears that Scotland Yard would like Internet service providers to act as unpaid guardians of morals by enforcing the subjective standards of others ("Internet porn may be blocked", August 10) How this is to be achieved is unclear.

First, no clear definition of "pornography" exists. One person's erotic picture is another's pornographic image. Doubtless Scotland Yard will bring its usual clarity to this issue.

Second, as your article points out, there are more than 20,000 Usenet groups (and growing). Of these, a few thousand refer in one way or another to sex. This is not a stable, easily monitored population. Thus, compiling a list of sites "forbidden" to adults is pointless. Of course, if the police want to provide service providers with a regularly updated, comprehensive list of "naughty" sites we will be happy to use it.

However, for reasons given above, the police may find that this is ultimately futile. Demon is correct in stating that police efforts and threats simply hide a global problem which will not be resolved by local, poorly thought out initiatives carried out under duress.

If the police are concerned about keeping children away from such content and cutting out child pornography there is good news. A wide range of software exists which gives good results in keeping children away from "adult" sites. Any half responsible ISP offers such a service as part of its basic package.

Concerning child pornography, as a provider we welcome input from all quarters regarding Usenet groups that deal in this. We have no compunction in making these groups inaccessible. Furthermore we would pass any information gained from our subscribers concerning these sites to other service providers and to the police.

I believe that the above approach represents a realistic response to the two most pressing issues for the Internet in general and service providers in particular. Concerning the rest, many people may find many Usenet groups objectionable. The simple answer is not to visit them.

Mike Parr,
marketing director,
SAQ Network Services Ltd,
Unit 162,
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London N17 9LN, UK

On track to provide a toll road

From Mr Roger M. Bale.

Sir, It can only be a question of time before Railtrack discover that by removing the tracks from certain of their under-utilised routes, they can provide a toll road on which all the bus companies, lorry companies etc. can compete.

Each could pay a common access fee (toll) to operate on a grade-separated route, fenced off from the public upon which they can travel at a constant 70mph away from the motorist.

This traffic will not require government subsidies and will provide a level platform upon which true competition can take place.

Roger M. Bale,
Bocque Berg,
St Clement,
Jersey JE2 6FT, CI

Electronic shopping

From Mrs Celia Hampton.

Sir, The failure of electronic shopping to take off ("Warning over on-line shopping", August 12) is deeply disappointing to those of use who dread the weekly trudge around the supermarket.

Glittering Internet sites with virtual aisles and trolleys may be going too far. A more modest plan that really helped the reluctant shopper might get the ball rolling.

At least half the things one has to buy each week are either branded items or commodity goods (eg bin bags). The rest – bread, greengrocery, meat, fish, cheese – would be much more agreeably and satisfactorily bought in smaller shops.

The brand/commodity shopping list could be e-mailed to an electronic warehouse for collection later, or the warehouse could deliver it to the home. Payment could be made off-line through a conventional store account.

This is not a futuristic solution. In 1992 a Spanish acquaintance living in Paris and working in Brussels told me that he regularly e-mailed the local Paris supermarket on Fridays so that his weekly shopping was waiting for him when he got home for the weekend.

Perhaps the supermarkets are developing a plan along these lines, but it seems unlikely. It would not accord with retailing economics as perceived by the buying public.

On the other hand, it might persuade us to become less sceptical. It is a pity that we may never learn any better. At £795, the consultancy report featured in the news item will hardly be bedtime reading for ordinary shoppers.

Celia Hampton,
editor,
FT Business Law Europe,
40 Anson Road,
London N7 0AB, UK

Largest single market

From Mr Frank Jenkin.

Sir, Sir Geoffrey Howe ("When it's right to resist", August 7) repeats the claim that the EU is the largest single market in the world. OECD statistics show that in 1995, on a purchasing power parity basis, the economic activity of the US was more than 2 per cent greater than that of the 15 EU nations; while that of the North American Free Trade Area was more than 19 per cent greater.

At present on this basis, the 15 EU nations produce some 20 per cent of world economic output. By the year 2100, that share will have shrunk to some 11 per cent on differential population growth alone, and to some 10 per cent allowing for even a small amount of catching up in living standards by the developing nations.

Frank Jenkin,
Rookery Lodge,
Tregenna Fields,
Camborne,
Cornwall TR14 7QS, UK

Numbering system

From Mr Garth E. Ashworth.

Sir, I note with interest the confusion and acrimony arising from the interference with and changes to the UK national telephone numbering system (Telephone users face numbering overhaul, August 6).

It may be of interest to know that a similar problem of a shortage of lines in Italy's major cities was resolved by the simple act of increasing telephone numbers in some areas to eight digits and, quite rightly, leaving city codes unchanged.

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FINANCIAL TIMES

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Thursday August 15 1996

A solution for French banks

There are two separate issues intertwined in the latest developments in the saga of Crédit Lyonnais. The first is the extent to which political motives lie behind last week's announcement of a criminal investigation into the bank's former management. The second is the future shape of French banking now that it has become clear that the current rescue plan for Crédit Lyonnais will not work.

By the end of September, the state-owned bank must report its first-half results. They will need to be accompanied by a revised rescue plan, probably an expensive one. Announcing criminal proceedings helpfully reminds the public that the present administration was not responsible for the problems at the bank – it was run at the time by nominees of the previous Socialist government.

Just as significantly, it was supervised by civil servants at the finance ministry, headed at the time by Mr Jean-Claude Trichet, now governor of the Bank of France. The recent jumpiness of the franc owes something to the theory that Mr Trichet is proving too independent a central banker to suit the government, and that Crédit Lyonnais is a handy stick to beat him with.

Such gossip should not distract attention from the practicalities of re-rescuing Crédit Lyonnais. At the moment, the bank must pay around FFr3bn a year to finance the arm's-length "bad bank" which contains its worst assets. Simply removing this burden, which is one possible way of getting the rescue back on track, is not enough. If the government was tempted to follow this course, it would probably not be allowed to do so by the European Commission, which forced tougher terms for the earlier rescue.

Brussels's instincts are right, and so are those of the rival French banks which protested at the earlier bailout. France is overbanked; the last thing it needs is a fresh burst of subsidy for Crédit Lyonnais. Finding – or bribing – a foreign bank to take Crédit Lyonnais off the government's hands is also not the answer.

The best solution would be a fire-sale: selling off the good bits of the bank to all comers, at home and abroad; auctioning the bad assets for what they are worth; dismantling the retail network and transferring chunks to purchasers to whom it would be valuable. Mr Jean Arthuis, the finance minister, is unlikely to find that a palatable recipe. But before he considers an alternative approach, he should remember that he owes the bank no favours.

France's taxpayers – and Crédit Lyonnais's banking rivals – deserve something better than a fresh handout. Pinning the blame for the past on the previous management is no substitute for a lasting solution for the future.

A failed exam

The GCE A Level examination, which was once used to keep unsuitable teenagers out of university, has now become the talisman of success for a large cohort of British youth.

In the last 30 years, the proportion of school children going on to university has increased almost sevenfold, from around 5 per cent to about a third. But the A Level exam, which was once narrowly exclusive, has failed to keep pace with this revolution, despite many proposals for reform. Against this background, the debate about whether A level standards are slipping is trivial and irrelevant.

Yesterday's figures from the examination boards showed a 1.8 per cent increase in the overall pass rate. Some call this a statistic of success. Others claim it is yet another indication that the exams are being made easier.

This year, pessimists point to the effect of modular examinations, which can be taken in stages rather than all at once. Are such courses "easier", or just more motivating? Outside pedagogic circles such arguments can become sterile and unpleasantly tainted by class distinction. Traditionalists too often ignore the fact that the UK's A level standards are high by international comparisons, precisely because they were once designed for a small elite. They were needed to sort prize cattle from the rest of the herd.

Now that the examination is part of mass education, it must serve wider functions. A third of the herd cannot be expected to be as good as a few prize specimens, even allowing for improved schooling and the incentive of wider access to universities.

Narrow specialisation into three subjects carried disadvantages even for the brightest pupils. It is entirely inappropriate for a broader range of candidates, especially those who pass only one or two subjects. This narrowness became even harder to justify after GCE O Levels were subsumed into the less rigorous GCSE exams.

Most employers believe that those leaving higher education are ill equipped with skills needed in the workplace. A first step must be to make the minimum entry qualification for university two A Levels and three subjects at the intermediate AS Level. This would allow plenty of scope for abler pupils to show their quality while enabling universities to insist that all candidates studied a spread of arts and science subjects.

Yesterday's figures showed a welcome increase in the number of AS Level candidates, but they still represent only 7½ per cent of subject entries. This is not enough. University admission policies must be changed to force the pace.

Bosnia's vote

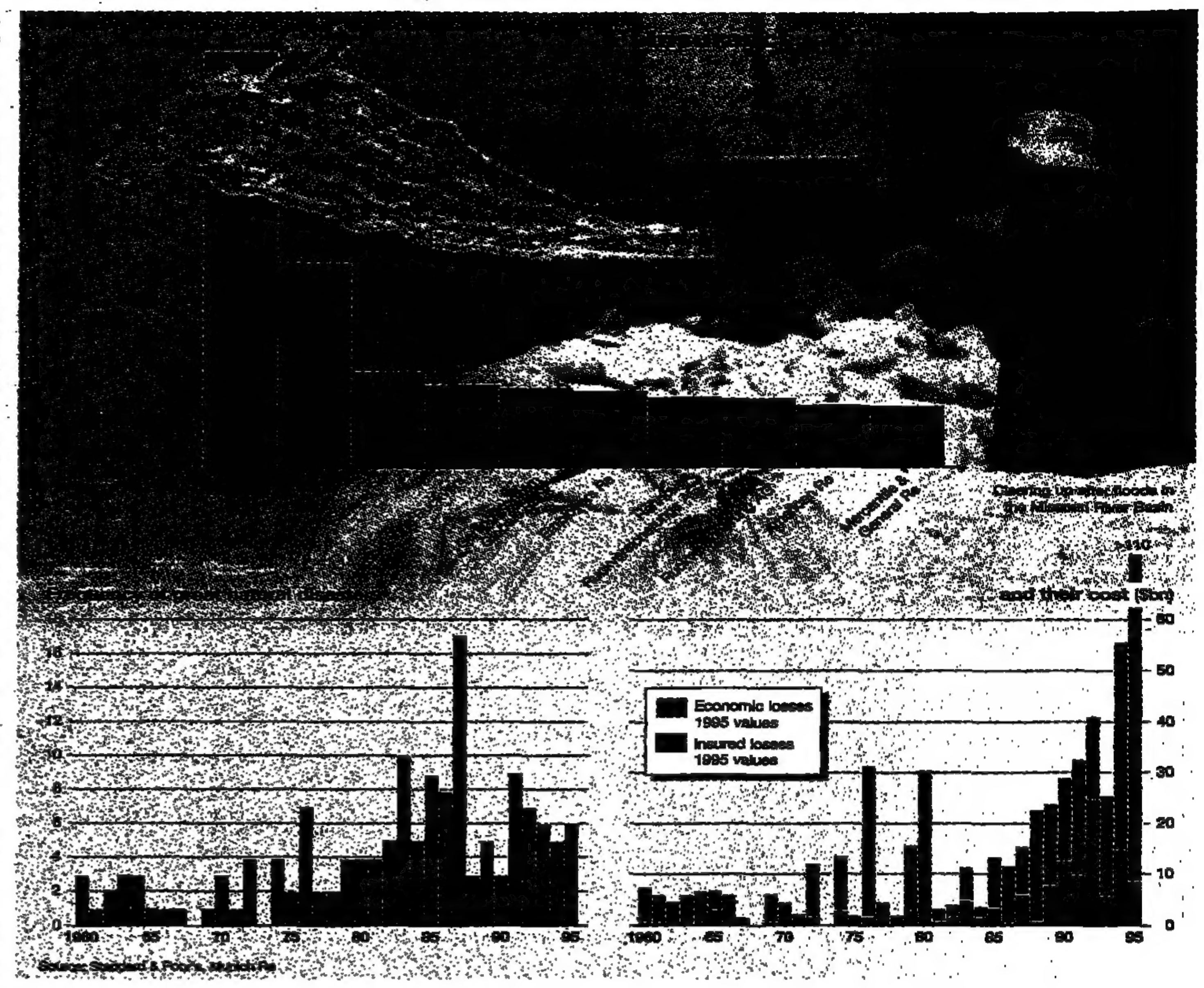
When Mr Flavio Cotti, the Swiss foreign minister and chairman-in-office of the Organisation for Security and Co-operation in Europe, gave the green light in June for elections to go ahead in Bosnia on September 14, he warned that certain minimal prerequisites would have to be met in the interim. They included freedom of movement, expression and the media, freedom of association, a politically neutral environment; and, above all, elimination of "direct or indirect exertion of influence by indicted war criminals".

Those conditions have not been fulfilled, and will not be so long as the current nationalist leaders are in control in each of the three zones into which Bosnia is de facto partitioned, because the effect of fulfilling them would be to make the elections a real challenge to those leaders' power. They will not give up power voluntarily. But the US, after years of scathing criticism of the previous UN force for its neutrality, has now imposed a similar neutrality on the much larger and more heavily armed Implementation Force (Ifor).

As a result, Ifor has acted as an agent of partition, not of reintegration. Virtually no refugees have gone home. Indeed ethnic cleansing has continued with the expulsion of the few remaining Croats and Moslems from the Serb zone. Indicted war criminals are still at large. There is no freedom of movement between the entities, and no freedom of expression for those who oppose the ruling parties. The political environment is anything but neutral, and the Serb authorities are using the electoral registration process to consolidate their hold by putting pressure on displaced Serbs to vote where they now are rather than in their original homes.

The September 14 deadline would have been valuable if it had been used to concentrate minds on creating conditions for free and fair elections. That has not happened, because the impression has been given that elections would be held whether the conditions were fulfilled or not.

The International Crisis Group, an influential monitoring body, was therefore right yesterday to call for the elections to be postponed, and to propose a new, phased electoral schedule, so that (for example) the proposed new Bosnia-wide TV network has at least three months of normal operation in which to "open the minds of viewers". If elections go ahead in present circumstances they will simply consolidate and legitimise the leaderships in the three zones, leaving the international community with no further credible or effective leverage to use against them.



A premium on size

Ralph Atkins on the pressures facing the global reinsurance industry after Munich Re's $3.3bn deal

Like earthquakes, takeovers among the world's large reinsurers are hard to predict. Nor are the consequences always immediately clear.

But yesterday's $3.3bn (£2.1bn) acquisition by Munich Re of US reinsurer American Re is the result of powerful forces that require a bold response from the reinsurance industry, which protects conventional insurers against the costs of catastrophes and other losses.

Stiff competition among reinsurers has resulted in steep falls in the prices they can charge. At the same time the rising cost of disasters is encouraging consolidation into larger, more efficient units, better able to spread risks and pay the biggest claims.

The agreed deal takes Munich Re from fifth place in the large US market to a position where it can breathe down the necks of General Re and Employers Re, the largest US reinsurers.

Equally important is the fact that the deal broadens Munich Re's geographical reach, providing greater assurance that it can pay policy claims after disasters by spreading risk while continuing to satisfy shareholders. It increases, too, the German reinsurer's range of specialist skills, particularly in new, lower-cost product areas in which American Re is strong; such products are bridging the gap between traditional reinsurance contracts and other financial products.

As Mr Hans-Jürgen Schinzler, the chairman of Munich Re's management board, says: "The purchase means a great step forward for our core business."

The deal is nevertheless a surprising departure for Munich Re which, in its 116-year history, has generally eschewed acquisitions. The German group's last purchase was of Swiss reinsurer New Re in 1988. Normally it prefers organic growth. But in the past few years General Re and Employers Re have both pushed hard into Munich Re's home market of Germany; the former taking majority control of Cologne Re, the latter buying a 76 per cent stake in Frankona and much of the business of Aachen Re.

More recently, Munich Re's smaller rivals have also been building operations in the US. Last month General Re announced plans to acquire US rival National Re for $940m. For its part, Employers Re had been tipped as a possible buyer of American Re from its majority shareholder, Kohlberg Kravis Roberts, the US buyout specialist.

Munich Re – which had previously denied it was in a bidding war for American Re – appears to have recognised that a rare opportunity to boost significantly its US presence was too good to miss. Its offer of $65 per American Re share compares with a share price of about $50 at start of August. Munich Re will fund the deal from internal finances.

"They have had to address the competitive pressures just like everyone else," says Mr Michael Butt, chief executive of Mid Ocean, the Bermuda-based reinsurer.

Those competitive pressures result from more than just jostling among the ranks of the largest reinsurers.

Across the sector, prices are falling steeply. The past few years have been relatively free of catastrophes – the January 1995 Kobe earthquake in Japan was an exception but most of the cost was not covered by insurance policies. The fall in claims paid by reinsurers has led to a rapid strengthening of balance sheets, marking a dramatic turnround from the early 1990s when many insurers reported losses.

Stronger finances have, in turn, encouraged underwriters to lower premiums to build or maintain their market share. Rates on reinsurance policies renewed in January fell by as much as 20 per cent or more, pushing prices to levels many in the industry fear will prove unprofitable.

Competition has been fuelled by the maturing of the reinsurance market in the Bermuda tax haven. Initially established to fill market gaps left by the difficulties at Lloyd's of London, the Bermudian reinsurers have grown rapidly and are now seeking to build a global presence. If Lloyd's succeeds in implementing its recovery plan this month, it will be keen to build on the revival in its fortunes.

Consolidation in turn may have accelerated price falls. When mergers take place the big combined groups have been seeking economies of scale which allow them to offer their products on more competitive terms.

Although reinsurers – unlike other financial services providers – are not labour intensive, Munich Re expects significant cost savings from using its considerable financial muscle to refinance American Re. This would cut borrowing costs and reduce the amount spent on "retrocession" – in effect, reinsurance for reinsurers.

For their part, some smaller reinsurers faced with the threat from increasingly big rivals seem to have decided to make pre-emptive moves to retain business by cutting their rates first.

At the same time, customers have realised there is a buyers' market and are becoming more demanding. Mr John Pelly, chairman of non-marine reinsurance at Willis Corroon, the insurance broker, says reinsurers are having to offer an increasingly sophisticated range of products to insurers aware that conventional insurance exposures are only part of the risks to which they are vulnerable. "They are going to have to absorb other types of exposure – to interest rates, currency movements and equity markets, for example," he says.

This is another reason why Munich Re was attracted by American Re. The US reinsurer's tradition of dealing direct with customers, rather than via brokers, gives the enlarged Munich Re greater scope for selling a wide range of reinsurance and financial products.

American Re also specialises in providing reinsurance to organisations such as public authorities which are increasingly avoiding buying insurance from normal suppliers. Instead they are setting up their own low-cost "captive" insurers, often offshore. American Re then provides reinsurance protection against the biggest losses that the "captives" could not afford themselves.

The paradox reinsurers face is that, despite the fierce competition, there is insufficient capacity in the reinsurance market to cover the cost of the largest risks faced by mankind. The cost to insurers of large disasters is rising fast as humans build larger, more expensive buildings in areas prone to flooding, storms or other perils – and buy more insurance to cover the risks.

A hurricane sweeping through New York or a large earthquake in California could cost $100bn or more. In the absence of such catastrophes, many underwriters are happy to cut rates. Were a disaster to strike, many would go out of business.

Such a fate would hardly befall Munich Re. The book value alone of its investments is DM111bn (£50bn) – more than enough to cover its share of the most costly disasters. Almost certainly the market value of its assets is significantly understated by conservative German accounting.

But by teaming up with American Re – which has total assets of more than $8bn – Munich Re is giving its book of business a more balanced look. The impact of a large disaster in its home markets in Europe would – it hopes – be offset by profitable opportunities in north America, and vice-versa. About 80 per cent of American Re's business comes from the US. Its takeover will raise Munich Re's share of the country's reinsurance market from between 3 and 5 per cent to about 15 per cent.

A long-term threat faced by Munich Re and other reinsurers is that the lack of capacity to cover the biggest disasters will prompt the development of other means of absorbing risks – products which if successful might eventually undermine their core reinsurance business.

In the past month it has emerged that USAA, one of the largest US motor and household insurers, is attempting to sell about $500m in bonds on the US capital markets, on which the returns will depend on the incidence of hurricanes. Although such products have been mooted for some time, USAA is the first to invite ordinary investors to become involved. Holders would surrender their principal if USAA has to cover more than $1bn in claims caused by a single hurricane in the next year.

If successful, USAA would in effect bypass the reinsurance market by covering the biggest risks direct from capital markets.

Such schemes are designed to provide cover that reinsurers, determined to cap their total exposures, are reluctant to provide. But if they proved cost-effective and sufficiently flexible, they could cut demand for traditional reinsurance – increasing downward pressure on prices. Mr Michael Butt of Mid Ocean says: "To say that it is a risk to the industry is really to extend the potential to incredulity at this stage. But things happen very quickly in financial markets."

By seizing the chance to buy American Re, Munich Re yesterday signalled its determination to remain pre-eminent in the reinsurance business – come storm, flood, earthquake or further industry restructuring.

· OBSERVER ·

From rags to riches

■ If Rome's municipal traffic cops can look elegant, why not those highly visible people rushing around on the backs of rubbish trucks?

The eternal city's dress-conscious mayor, Francesco Rutelli, has been trying – without much success so far – to recruit the Italian fashion industry to design a set of clothes for his rubbish collectors.

The aim is to have the smart gear ready for when Rome is on show to celebrate the jubilee year of 2000. Earlier this year approaches were made to four fashion houses, including Fendi and Valentino. When they apparently spurned the challenge, the net was cast wider to include such names as Ferré and Dolce & Gabana. According to Mario Di Carlo, head of the municipal rubbish collection company, they also snubbed the invitation to come up with three separate types of "look" for the different grades of work.

Threats of going outside Italy seem to have induced a greater willingness. Yesterday two fashion houses claimed they had never even received the invitation. Carla Fendi, head of the family business, said: "In the past we've designed the local policewomen's uniforms, and we would have no difficulty for any type of city cleaner (rubbishperson). We're only waiting for a clearer request before deciding."

Run out of luck

■ Good news for those Czech Olympic athletes who, Observer reported last week, weren't going to be paid all of their promised bonuses – amounting to a chunky Kcs4.46m – for winning a remarkable 10 medals in Atlanta.

The Czech Olympic Committee – o ye of little faith – had not expected its team to do as well as it did, and ran out of money. Now the Czech National Bank, along with Komercni Banka, IPB and Ceska Sporitelna, will chip in sufficient cash to see them right.

It's nice to know some Czech banks still have money to throw around. Last week the CNB decided to shut down Kreditni Banka, with losses of Kcs12bn.

Manuel's labours

■ South Africa's finance minister, Trevor Manuel, is developing a knack for getting into hot water. His latest escapade involves the local national deity – rugby.

New Zealand's All Blacks beat South Africa's Springboks 29-18 at last Saturday's test in Cape Town. President Nelson Mandela is a staunch Springboks supporter but Manuel – no mean rugby player in his youth, apparently – rooted for the All Blacks, shocking the nation's rugby fans.

The news has been badly received in the gilts market. Johannesburg paper Business Day reported one market stalwart saying: "It's a disgrace. The guys wanted to sell as soon as they heard it. If is a free country, why doesn't he allow me to vote with my Rands by scrapping exchange controls?"

What's behind Manuel's defection? South Africa's press have reported him as saying he was "no white South African". South Africa's selectors have not made it any easier to line up behind the Springboks with their decision to include in the squad Henry Tromp, convicted in 1994 of assaulting a black labourer who later died. Yesterday Mandela stepped in and is due to hold what is described as an "amicable discussion" with Manuel. Could be quite a scrum.

Who's on first?

■ Football metaphors are all over San Diego in the US this week, following the choice of the old quarterback, Jack Kemp, as Bob Dole's running mate. Baseball, on the other hand, is not only taking a back seat but is even being forced out of town.

The San Diego Padres, unusually in first place, have been forced by the Republican party's convention to switch their home stand to Monterrey, Mexico – the first time regular season major league games have been played outside the US or Canada.

That makes for a home-coming of sorts for Fernando Valenzuela, the once legendary and now ancient Mexican pitcher, now in the middle of a good season for the Padres. Of course, given the xenophobic mood of much of the Republican right, Fernando would hardly be their poster boy.

Old pals act

■ And a final odd note concerning the current Republican party shenanigans. The Financial Times of course is in the pocket of no US presidential candidate. But in the interests of disclosure one fact should be noted.

Back in the early 1980s, before the paper began printing in the US, and when it arrived in Washington DC several days late, our total circulation on Capitol Hill was precisely one. It went to Congressman Jack Kemp. Enough said.

The Financial Times

100 years ago

Washington
The deficit of the United States Treasury for the first 45 days of the fiscal year was about a million dollars daily. Up to the present, the deficit for this month amounts to $1,505,565. The withdrawals of gold from 4th to 13th August amounted to $3,988,000.

50 years ago

Warning to exporters
Evidence that buyers of British goods abroad are becoming more discriminating is quoted in a circular to members of the Wholesale Drapers' and Hosiers' Export Group as a warning against unloading goods of inferior quality on overseas markets. The circular states that complaints have been received, particularly from the Scandinavian markets, about the quality of the goods received and the prices charged. The Group points out that certain European countries are getting back into production and that British exporters will soon find themselves up against keen competition.

To meet such competition and to develop our markets in Europe close contact with overseas customers is urged, with visits by responsible executives as soon as travel facilities are easier.

"Prepare "reserves", then act as though you have no reserve at all. This is the secret of a stable business."
KAZUO INAMORI, founder of Kyocera
KYOCERA

FINANCIAL TIMES
Thursday August 15 1996

FERGUSON ENTERPRISES
Number 1 in plumbing supply – U.S.A.
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Bosnia and Croatia to strengthen alliance

By Laura Silber in Geneva and Kevin Done in London

US Secretary of State Warren Christopher yesterday won assurances from the presidents of Croatia and Bosnia that they would shore up their shaky alliance a month ahead of Bosnia's first post-war elections on September 14.

The assurances came after an influential pressure group called for the Bosnian elections to be postponed. The International Crisis Group, chaired by Mr George Mitchell, the former US Senate majority leader, said there was "no way the elections can be considered to be even remotely free and fair" as mandated in the Dayton peace agreement.

If they were carried out under current conditions, the elections would turn the Dayton agreement into "an ethnic cleansers' charter".

In an effort to resolve numerous violations of the Dayton peace accords which threaten to scupper elections, seen as a crucial test of Bosnia's future viability, Mr Christopher yesterday summoned the presidents of Bosnia, Croatia and Serbia to Geneva.

In a joint statement issued after the emergency summit, President Franjo Tudjman of Croatia and his Bosnian counterpart, Mr Alija Izetbegovic, yesterday reaffirmed their commitment to "strengthening the Federation as the cornerstone of the peace process".

Under the Dayton plan, the Moslem-Croat Federation, administers 51 per cent of Bosnia, leaving the rest to Republika Srpska, the Bosnian Serb entity.

Under yesterday's agreements, the Croat government will dissolve a breakaway Croat region, while the Bosnian government will devolve more power to the Moslem Croat Federation by the end of August.

Another agreement, also signed by President Slobodan Milosevic of Serbia, contained a joint promise to implement the Dayton accords, which call for freedom of movement and media, and the right of return for refugees. Separately, Serbia and Montenegro announced that they would hold elections on November 3 for their shared federal parliament.

The three Balkan leaders reaffirmed their Dayton promise to work together after elections for the "rapid establishment" of joint governing institutions to join the Moslem-Croat Federation and Republika Srpska in a loose union.

Mr Christopher urged both Mr Milosevic and Mr Tudjman to comply with the Dayton agreement to hand over indicted war criminals to the UN tribunal in The Hague.

In an ominous sign for the prospects for co-operation within the Moslem-Croat Federation, Mr Kresimir Zubak, the Croat president of the Federation, failed to turn up at yesterday's summit in Geneva.

Forged by Washington two years ago, the Federation remains fragile. Numerous agreements – including the creation of a joint army – have not been realised.

Editorial Comment, Page 9

Japan shocked by kidnap of Sanyo chief in Mexico

By Michiyo Nakamoto in Tokyo

The abduction of a Japanese executive in Tijuana, Mexico, has shocked the business community in Japan and reawakened public concern over companies' security and crisis management measures.

Sanyo Electric, the Japanese electronics maker, said yesterday no progress had been made with the abductors, who are demanding $2m for the release of Mr Mamoru Konno, president of Sanyo Video Components, a Californian subsidiary of the Japanese company.

Sanyo is believed to be prepared to pay the ransom but has not been able to contact the kidnappers since Saturday night, when the company learned of the abduction.

Mr Konno was on his own when he was abducted from a car park as he was about to leave a company baseball game on Saturday.

Japanese diplomats and Sanyo officials are reported to have urged Mexican police yesterday to be careful to avoid endangering Mr Konno's life.

The incident comes just a week before Mr Ryutaro Hashimoto, Japan's prime minister, is scheduled to visit Mexico, and during a week-long summer holiday for many corporations in Japan.

Many Japanese manufacturers have set up operations in Mexico, which has offered an attractive production base for companies seeking to lower costs to remain competitive.

The *maquiladora* industrial district along the US-Mexico border, including Tijuana, has drawn substantial investment from Japanese electronics companies, which take advantage of the tax exemptions on components imported from the US and on finished products exported back to the US.

Sanyo, which makes televisions, video recorders, refrigerators and batteries in Mexico, has one of the largest operations in the country. All the big names in electronics, from Matsushita to Sony and Toshiba, are represented there.

Japanese companies have strengthened their security precautions in recent years, particularly after the abduction in 1986 in Manila of a Japanese manager at Mitsui, the trading company, which caused widespread alarm.

Matsushita has a security training programme for staff and has been more aware of the dangers since the president of its subsidiary was abducted and murdered in Costa Rica in 1982.

Blow for Thai PM as partner pulls out of coalition

By Ted Bardacke in Bangkok

A central member of Thailand's ruling seven-party coalition pulled out of the government yesterday, casting doubts on the future of prime minister Banharn Silpa-archa, whose administration is fighting off a wave of corruption allegations and economic worries.

Mr Thaksin Shinawatra, a telecommunications tycoon and leader of the Palang Dharma party, the third biggest member of the ruling coalition, said his party was leaving the government because "it had listened to the people".

Two other parties, the Muon Chon and Nam Thai, said they were also considering pulling out.

The PDF's move came a day after the Thai cabinet blocked the finance ministry from awarding new domestic banking licences until a special committee had investigated allegations by the minister that bribes were paid during the licensing process.

The PDF's withdrawal leaves the government with a slim majority in Thailand's 391-member parliament. The government would lose its majority if Nam Thai and Muon Chon withdrew from the coalition.

Mr Banharn may pre-empt this by calling new elections. A simple loss of his majority could pave the way for General Chavalit Yongchaiyudh, defence minister and leader of the coalition's second largest party, to try to form a new government without going to the polls.

Mr Banharn asked the PDF, which pulled out of the government once before only to rejoin it a few days later, to reconsider its decision. "Palang Dharma should not abandon the government at a time of crisis like this," he said.

Opposition politicians said the PDF was unlikely to heed Mr Banharn's call, arguing that the party believed the government would collapse soon and did not want to be aligned with it during a no-confidence debate in parliament. "They are jumping off a sinking ship, hoping to avoid drowning," an opposition MP said.

Mr Banharn is a skilful political survivor and his government is expected to last through the present debate over the budget bill.

He will then have to negotiate a host of contentious issues over the next six weeks. Each issue could prompt the prime minister's resignation, a reshuffle within the coalition or a dissolution of parliament leading to an election.

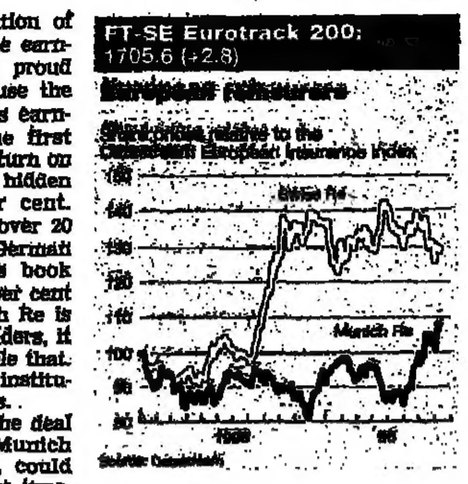
THE LEX COLUMN

Munich Re-gresses

Munich Re's $3.3bn acquisition of American Re may not dilute earnings, but that is hardly a proud boast. It is true only because the German reinsurance giant's earnings are so pitiable in the first place. Munich Re's "true" return on equity – after estimating its hidden reserves – is about 7 per cent. American Re's returns are over 20 per cent but, because the German group is paying 3½ times book value, it will barely earn 8 per cent on its investment. If Munich Re is to add value for its shareholders, it needs to make roughly double that. The acquisition will merely institutionalise its sub-par earnings.

This is not to deny that the deal has some strategic logic. Munich Re, an old-style reinsurer, could gain expertise from the more innovative American Re. Sheer size and better geographical balance should also allow it to spread risk more effectively. But benefits from these sources will be counterbalanced by a higher tax rate, which could rise from 27 per cent to nearer 35 per cent. Investors should also be concerned that Kohlberg Kravis Roberts, the buy-out fund which is American Re's majority shareholder, has fattened it up for sale.

Munich Re may well want to build up its US position. But it could have done that more cheaply if it had expanded organically instead of pulling back in the 1980s. The worry now is that it is more concerned with empire-building than improving shareholder value.



French franc

Mr Alain Juppé may have dismissed recent franc weakness as a storm in a tea-cup, but the French prime minister still saw fit to interrupt his holiday to say so. He was right not to be complacent. The franc is not in crisis, but it could yet go that way.

Emu without France is inconceivable, yet spending overruns and weak revenues make it ever more improbable that it can qualify without some fudge. So long as this tension persists, markets will be very sensitive to any signs of weakening commitment to the *franc fort* and Emu from French politicians.

President Jacques Chirac's criticism of monetary policy last month played to precisely these fears. So too do rumours of a rift with Mr Jean-Claude Trichet, the central bank governor.

The next big hurdle for the franc will be next month's budget. Insufficient fiscal stringency will unnerve the markets. But with unemployment over 12 per cent and growth stagnant, stiff medicine could drive people on to the streets. Neither scenario augurs well for the franc, although it is probably too soon to anticipate speculators unleashing their full fire-power.

The real reckoning will come only when decisions on who qualifies for Emu, still 18 months away, are much closer. Even if the franc gets into serious trouble then, speculators will still be wary of another drubbing by the Bank of France and the Bundesbank. The odds must favour the central banks holding the line, but they are likely to face some sweaty moments in the interim.

Hoechst

Hoechst has turned into a stock market darling since Mr Jürgen Dormann, its chairman, embarked on his quest to improve shareholder value. Over the past 18 months, a difficult time for chemical companies generally, the group's shares have gained 50 per cent, outperforming the German market by a quarter.

Much of the excitement is the result of speculation about a spin-off of the group's drug business – the fourth largest in the world. While Hoechst is working on a separate legal structure for the division, it is not thinking of an Imperial Chemical Industries/Zeneca-style demerger, which would create the most value. A listing of a minority stake is more likely, both to avoid German capital gains tax and to allow Hoechst to retain management control. And even that will not happen before late 1997. Other possible flotations, such as the AgrEvo agricultural joint venture or the industrial gases businesses look even further away. Until then, Hoechst deserves to trade at a discount to the sum of its parts.

Meanwhile, yesterday's half-year results, while containing a much improved level of disclosure, showed the group is suffering as badly as ICI and other European rivals in commodity chemicals, polyester and plastics. Excluding a host of special factors, underlying profits probably grew by less than 3 per cent. There is still huge potential for improvement at Hoechst, but the danger is that investors have let their hopes run ahead of progress on the ground.

Cookson

UK conglomerates watchers are getting little to cheer about. First there was the disintegration of Hanson, then the collapse of BTR, and now Cookson looks destined for relegation from the blue chip FT-SE 100 index. Cookson has been tarred with the conglomerate brush, and its shares are trading at a 15 per cent prospective price-earnings discount to the market. But this seems unjust, since it does not share the ailments of its peers.

Its problems have been twofold. The downturn in the consumer electronics industry, particularly in the US, has hurt Cookson's electronics materials division. And it has coincided with significant investment in capacity expansion. The result will be falling margins and a halt to the division's spectacular growth. The second problem is that Cookson's cash flows have dried up, reflecting failure to continue improving working capital levels and an acceleration in capital expenditure.

Both difficulties look short-term. There is no evidence of an immediate recovery in the electronics division, but all evidence points to an upswing by 1997. Meanwhile, with capital expenditure running at twice depreciation, cash outflows are almost inevitable; this does not matter so long as Cookson achieves its historic returns on capital. The shares are unlikely to recover until September's interim results statement. But with a p/e rating which belies the medium-term growth prospects, the under-performance should be reversed thereafter.

Additional Lex comment on investment trusts, Page 14

HSBC to challenge ruling

Continued from Page 1

this case as far as it needs to go."

Separately, the union appealed to a lower court on disputed issues in the labour agreement. The court ruled in favour of the bank, but the union indicated it would appeal.

Industrial action at foreign banks in Indonesia usually arises every two years, with the renewal of the CLAs, the traditional mechanism for negotiations between foreign institutions and unions. However, foreign bank managers have been increasingly irritated by the CLAs because of the time consumed in negotiations. Local banks do not have CLAs as their workers do not have unions.

The dismissals surprised the union, which is part of the All-Indonesia Workers Union, the only one recognised by a government which keeps tight control over organisation of labour.

Munich Re

Continued from Page 1

from reinsurance from nearly DM19bn to around DM22.5bn ($15.2bn). Last month Munich Re agreed an exchange of outside shareholdings with the Allianz insurance group – the two own 25 per cent of each other's shares – leaving the reinsurance group with control of Germany's biggest health insurance company. This will raise its non-reinsurance premium income from DM10bn to DM14.5bn.

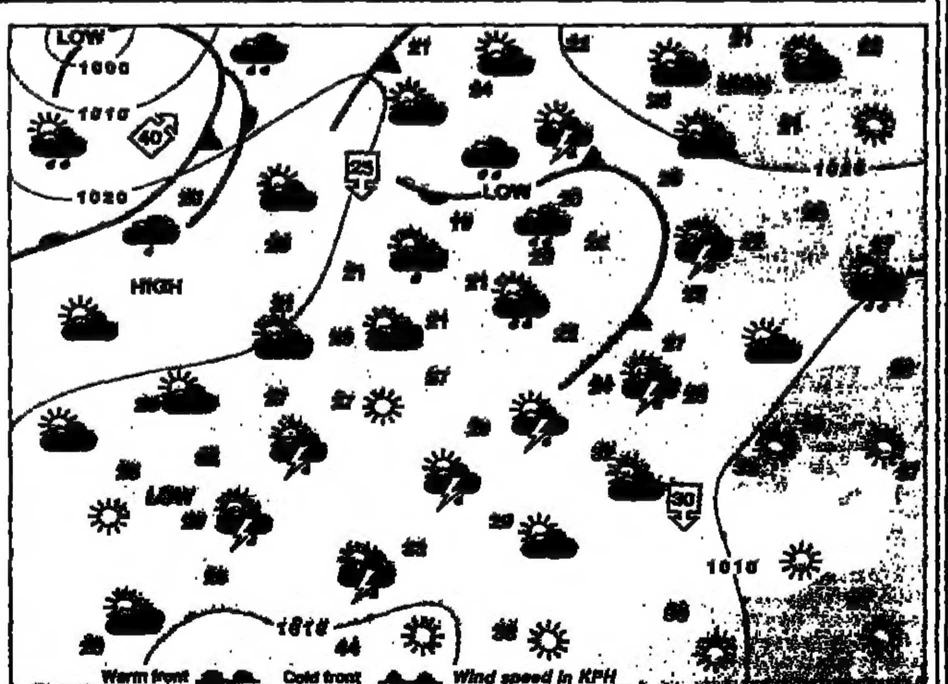
FT WEATHER GUIDE

Europe today

Conditions in western Europe will improve as an area of rain moves towards Poland and southern Sweden. The rain will be accompanied by thunder in Belarus and Ukraine. Sunny periods are expected in the Benelux and northern France. Southern France, most of Portugal and Spain will have a lot of sun although thunder showers are expected in eastern Spain. Rain and thunder showers will also occur over central Italy. Most of the Alps will have sunny periods. Showers are likely in Austria. Greece and Turkey will be mainly sunny.

Five-day forecast

Western Europe will be dry and partly sunny. Eastern Europe will have rain. Most of the Mediterranean will be fair but showers are expected in southern France and northern Italy by the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius								
Abu Dhabi	sun 44	Beijing	sun 33	Caracas	fair 32	Faro	sun 27	Madrid	fair 32
Accra	cloudy 26	Belfast	cloudy 20	Cardiff	fair 21	Frankfurt	cloudy 22	Majorca	fair 29
Algiers	cloudy 31	Belgrade	fair 24	Casablanca	cloudy 24	Geneva	fair 23	Malta	fair 32
Amsterdam	fair 22	Berlin	shower 20	Chicago	fair 26	Gibraltar	fair 27	Manchester	fair 21
Athens	sun 32	Bermuda	fair 31	Cologne	cloudy 22	Glasgow	cloudy 20	Manila	rain 34
Atlanta	sun 34	Bogota	shower 18	Dakar	fair 31	Hamburg	shower 21	Melbourne	cloudy 14
B. Aires	shower 17	Bombay	shower 32	Dallas	fair 36	Helsinki	sun 24	Mexico City	fair 27
B.ham	fair 23	Brussels	fair 21	Delhi	cloudy 30	Hong Kong	thund 31	Miami	thund 33
Bangkok	thund 35	Budapest	fair 24	Dubai	sun 41	Honolulu	fair 32	Milan	shower 26
Barcelona	thund 26	C.hagen	cloudy 21	Dublin	cloudy 20	Istanbul	fair 29	Montreal	shower 26
		Cairo	sun 34	Dubrovnik	fair 27	Jakarta	fair 32	Moscow	fair 21
		Cape Town	sun 18	Edinburgh	cloudy 20	Jersey	fair 21	Munich	shower 21
						Karachi	fair 33	Nairobi	cloudy 23
						Kuwait	sun 48	Naples	fair 30
						L. Angeles	sun 31	Nassau	thund 32
						Las Palmas	sun 26	New York	fair 26
						Lima	cloudy 19	Nice	fair 27
						Lisbon	sun 28	Nicosia	sun 38
						London	fair 24	Oslo	sun 24
						Lux.bourg	cloudy 21	Paris	fair 25
						Lyon	fair 25	Perth	shower 16
						Madeira	cloudy 26	Prague	cloudy 21

Rangoon	rain 31
Reykjavik	rain 12
Rio	rain 24
Rome	fair 30
S. Frsco	sun 26
Seoul	sun 30
Singapore	cloudy 31
Stockholm	fair 25
Strasbourg	shower 22
Sydney	fair 19
Tangier	cloudy 27
Tel Aviv	fair 34
Tokyo	shower 30
Toronto	rain 25
Vancouver	fair 21
Venice	shower 24
Vienna	shower 22
Warsaw	shower 21
Washington	fair 30
Wellington	rain 13
Winnipeg	fair 27
Zurich	shower 20

Lufthansa

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